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Patterns of Societal Development
in Iceland



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Abstract

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The aim of the study is to investigate patterns of the societal development in Iceland, especially during the period 1930—1980. Of primary concern are societal changes accompanied by capitalist development. The basic thesis is that Iceland should be regarded as one kind of a semiperipheral country in a world economy comprised of core, peripheral and semiperipheral sectors, a world economy that emerged as an European world-economy in the sixteenth century and came to include the whole world in the nineteenth century. It is emphasized that the connection between the position of a country in the world economy and the political-economic tendencies is never given and may change from one period to another. The Icelandic society is accordingly seen as a part of interrelated social systems on a world scale, where societies are different from one another and do not necessarily follow parallel routes of development.

The study consists of seven chapters in addition to an introductory chapter. In Chapter 2 three major theoretical frameworks for analyzing societal development are explored in order to work out a scheme for studying the societal development in Iceland. In Chapter 3 important sociological and political studies of Icelandic society are presented and discussed. In Chapter 4 the focus is specifically on the development trends and basic characteristics of the Icelandic economy. In Chapter 5 the concept of class is the main subject of discussion. Chapter 6 provides a description of the development and the basic characteristics of the Icelandic class structure in the period 1930—1980. Chapter 7 concentrates on several factors involved in the processes of class formation during the period of research. Finally, in Chapter 8 the main conclusions of the work are summarized.

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To Stefania



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1.0 Introduction

From various historical and demographical sources we have learned that Icelandic society has undergone an extensive process of urbanization since the middle of the nineteenth century. In 1860, for instance, less than 3 per cent of the nearly 67,000 inhabitants of the country lived in incorporated townships. Since that time and until the early 1980s the urbanized population has risen to over 85 per cent of the whole population. The largest urban concentration is in Reykjavík (the capital) and other towns in the Southwest region, where about 120,000 inhabitants, slightly more than half of the country's population, resided in 1980. The city of Reykjavík then had a population of nearly 85,000.

For centuries farming was the dominant industry in Iceland, and the majority of Icelanders consisted of subsistence farmers, tenants and their dependents. But in the latter half of the nineteenth century farming gradually began to give way to fishing. In the present century the Icelandic economy has primarily been based on fishing and the fish processing industry, but it has increasingly incorporated other manufacturing industries and services as well. Furthermore, in recent decades we have witnessed a large industrial development outside the fishing sector, i.e., in the form of foreign investment in diatomite, aluminium and ferro-alloys plants.

Politically, Iceland's status has changed from being a Danish colony for centuries into becoming an independent republic. In the early nineteenth century Iceland was, as other parts of the Danish Kingdom, dominated by Absolutist Rule. In 1845 the Danish reign in Iceland was first broken by the foundation of a consultative assembly. Then, in 1874, followed a period of legislative and financial power under a separate constitution. In 1904 Home Rule was established and Iceland's first minister became responsible to the Althingi (the national assembly). In 1918 Iceland became an independent state under the Danish King, and in 1944 the republic of Iceland was founded. Modern Iceland is thus a parliamentary democracy with an elected president as head of state and with a civil government in which supreme power is vested in the citizens and exercised by them directly or indirectly through a system of representation.

The major labour federations and the employers' associations were established in the first half of the present century. The Federation of Labour (ASÍ) was established in 1916 and until 1940 was in a formal union with the

Social Democratic Party (SDP), which was its political arm in that period. The Association of State and Municipal Employees (BSRB) was founded in 1942 but in 1958 several groups of professionals with academic degrees broke away from the BSRB and organized themselves in a new association called the Association of University Graduates (BHM). The Confederation of Icelandic Employers (VSÍ) and the Association of Co-operative Employers (VMS), which are the main organizations at the opposite side of the bargaining table besides the state and the local governments, were established in 1934 and in 1951 respectively.

The prevailing party system evolved during the period 1916—1930. All main political clusterings before that time were more or less related to the independence issue. But when class politics replaced politics of independence new conditions and new political cleavages emerged. In 1916 both the Social Democratic Party (SDP) and the Progressive Party (PP) were established. In 1929 the Conservative Party (COP), founded in 1924, and the Liberal Party (LP), founded in 1926, united and formed the Independence Party (IP). The Communist Party (CP), being the forerunner of the United Socialist Party (USP) and its successor the People's Alliance (PA), was established in 1930.

This brief description of the societal development provides some important ideas about the transformation of Icelandic society since the middle of the nineteenth century. These changes and the emergence as well as the development of different societal forces have also been central in sociological and political studies of Icelandic society. In our view, however, most of these studies have not dealt sufficiently with those changes which have taken place in Iceland's modern history. The reason is, perhaps, that the emphasis has primarily been on data gathering, which in many cases can be characterized as having rather diffused links to constructive theories on societal development. Where such a theoretical framework is to be found the basic premise is the simplistic idea that all societies must sooner or later pass through a certain sequence of stages in a passage from a simple to a more modern order. This has as consequences that the emphasis in the sociological and political literature has been more on general societal trends than on what is historically specific for Iceland.

Instead, we claim that the societal changes which have taken place in Iceland since the middle of the last century should be understood as aspects of capitalist development or at least as closely related social features. The point of departure is that we live in a capitalist world economy that emerged as an European world economy in the sixteenth century and came to include the whole world in the nineteenth century. The national states are, consequently, not viewed as entities that have separate, parallel histories, but as parts of a whole reflecting that whole. In the case of Iceland, its position in

the world economy should not be taken as given from one time to another because the world system is constantly changing and no country can change its position without affecting other countries at least to some extent.

The basic proposition of this thesis is that the concept of "semiperiphery" has vital relevance for an analysis of the political economy of Iceland during the 1930—1980 period. During that time the Icelandic economy has comprised of a specific mix of core-like and peripheral characteristics. This has had as political consequences a distinctive pattern of social conflict and conflict resolution. When studying Iceland's semiperipheral position in the world economy, it is thus claimed that understanding the political-economic tendencies is of greater value than any unilinear views on societal development.

A large part of this book deals with theories on societal development and the concept of class as such. Three major perspectives on societal development are distinguished from the current body of theories on the subject. These are the modernism theory, the theory of monopoly capitalism and the "world-system perspective". In the case of class theories, four non-Marxist models and five Marxist models are examined. The reason for using so much space for going through and discussing these theories and models is that we see it as fruitful for developing rigorous hypotheses and theories, which could serve as a basis for the growth of knowledge about Icelandic society. The emphasis is thus on building a constructive theoretical framework concerning the objects of study rather than concentrating on empirical work and general data gathering.

This thesis, which was mostly written during 1982—1984, contains seven chapters in addition to this introductory chapter. One should also note that there is no account of those political-economic changes which have taken place in Iceland from the first months of 1985.

In *Chapter 2* we go through and discuss three types of theories on societal development: (1) The modernism theory which claims that the most significant set of changes in the contemporary world is the transition from a traditional order to modernity; (2) The theory of monopoly capitalism which emphasizes that the continuing operation of capitalism consolidates processes of the concentration and centralization of capital; (3) The "world-system perspective" whose basic premise is that each country or regional entity in the world should be viewed as an integral part of the capitalist world-economy. The purpose is to provide a rigorous scheme for the study of the societal development in Iceland.

In *Chapter 3* important sociological and political studies of the societal development in Iceland are critically discussed. The aim is to bring to the fore some essential characteristics of these studies in order to evaluate their explanations of those changes which have transformed Icelandic society, par-

ticularly during this century.

In *Chapter 4* a mix of economic tendencies and basic characteristics of the Icelandic economy are analyzed. In the first place an attempt is made to situate Iceland in the world economy defined as a tri-modal system including core, semiperiphery and peripheral states. Secondly, we investigate the patterns of some societal features which have been identified as characteristic for the general advance of capitalist development.

In *Chapter 5* basic premises, central components and critical weaknesses of different class schemes are discussed. The main aim is to find a class model which fits best in with our perspective on the societal development in Iceland, given the fact that the concept of class is of vital importance for analyzing and explaining historical processes and events.

Chapter 6 provides a description of the development and the basic characteristics of the Icelandic class structure between 1930 and 1980. The analysis is based on data derived from official statistical material such as population censuses, labour market studies, statistics on economically active population, tax records and various other sources.

In *Chapter 7* the focus is on several factors involved in the process of class formation in Iceland. Including the growth of interest organizations in the labour market, the emergence and the development of political parties, and the main political-economic tendencies during the period of research. The aim is to show the links between Iceland's semiperipheral position in the world economy and certain political-economic tendencies which have characterized the societal development.

Finally, in *Chapter 8* the main conclusions of the thesis are summarized.

2.0 Societal Development

2.1 Introduction

Within the complex body of theories of societal development in recent decades three perspectives or images can be distinguished. Firstly, there is what we call the modernism theory which has its basis primarily in traditional sociology.¹ Among the proponents of the modernism theory the most significant set of changes in the contemporary world is the transition from a traditional order to modernity. Secondly, there is the theory of monopoly capitalism which has been one of the main variants of Marxist interpretations of societal development in the past two decades. It emphasizes that the continuing operation of capitalism consolidates processes of the concentration and centralization of capital. Thirdly, the so-called world-system perspective which is predominantly a Marxist standpoint and above all associated with authors like Andre G. Frank, Immanuel Wallerstein, Samir Amin and Folker Fröbel. This approach has mainly emerged as a critique of the rigid developmentalist and mechanical views which are meant to characterize perspectives such as the two former ones. Its basic premise is that each country or regional entity in the world should be viewed as an integral part of the capitalist world-economy.

The purpose of this chapter is to explore the theoretical frameworks of these three perspectives in order to work out a scheme for the study of societal development. Thus, the treatment of the subject matter is limited to a number of themes that have generally tended to cluster together under the respective headings, and especially those which, we think, are relevant for studying capitalist development in Iceland.

2.2 Modernism

The concept of social evolution has been central in traditional sociology from the days of its founding fathers, but of course varying in importance from one period to another. This concept broadly involves the notion that all societies must pass through certain definite stages in a passage from a simple to a more complex form, i.e., from a traditional to a more modern form. Frequently the

analogy between the growth of an organism and the growth of human society is made or implied, especially the idea that increased specialization of function goes with increased development of structure. The concept has further been extended to include the process of gradual change taking place in all societies as roles become redefined or functions of institutions change. In that context "social evolution" has often been replaced by the term "social change" which in most cases has no linkages to specified goals nor the implication that all societies must pass through the same stages.² The modernism theory—as we define it—restricts the term social evolution and its synonyms to the former notion.

In the first decades following the Second World War the notion of social evolution became commonly expressed by western scholars as "modernization". For them modernization referred to a number of processes of social change, partly parallel, which had to do with the transition from a traditional society, primarily based upon agriculture, to a modern industrial society. The modernization view, more specifically, is closely bound up with the perspective that western industrial and democratic societies provide a model for underdeveloped or non-industrial societies to follow. Hence, industrialism and the implementation of democratic values were seen as essentially liberalizing and progressive forces.

The framework of modernization was generally accepted by social scientists in the late 1950s and in the 1960s as the most fruitful scheme for the study of societal development. During these years there emerged a wide literature analyzing concepts of tradition and modernity or development. Among the leading efforts to conceptualize these social types were Daniel Lerner's *The Passing of Traditional Society* (1958), *The Politics of Developing Areas* (1960) by Gabriel Almond and James Coleman, and W.W. Rostow's *The Stages of Economic Growth* (1960). Lerner examined the spread of technical and social innovations in combination with the notion of modernization. According to him, the concept of "modern-traditional" as a continuum of change leads one to the conclusion that the traditional societies move in a single direction.³ Almond and Coleman, with several other scholars, carried out a survey of countries in the Near East, Asia, Africa and Latin America in order to measure the degree of modernization of developing societies in these parts of the world. In their view the modern society is characterized, among other things, by

"a comparatively high degree of urbanization, widespread literacy, comparatively high per capita income, extensive geographical and social mobility, a relatively high degree of commercialization and industrialization of the economy, an extensive and penetrative network of mass communication media, and, in general, by widespread participation and involvement by members of the society in modern social and economic processes."⁴

In *The Stages of Economic Growth*, W.W. Rostow proposed an alternative to Marx's historical sequence from feudalism through capitalism and socialism to communism. He distinguished five basic stages of growth experienced by societies as they change from a preindustrial state to full economic maturity.⁵ The models applied by all these authors have one significant assumption in common. Existing institutions and values in the developing countries are seen as impediments to all changes as well as the major obstacles to modernization.

Another variant of the modernism theory in the 1950s and 1960s was the theory of industrial society, which was concerned with many of the themes that were treated by the founding fathers of sociology in the nineteenth century. Seymour Martin Lipset, for instance, saw the intensive class struggles which characterized Western Europe in the nineteenth and early twentieth centuries as a result of excessive tensions accompanying the transition from an agrarian order to a modern industrial society.⁶ For him and many others the rise of the liberal-democratic state was an inevitable outcome of the process of modernization. A political system was seen to evolve where the state became an institutionalized order of public power, and in which "all active and legitimate groups in the population can make themselves heard at some crucial stage in the process of decision".⁷ Other authors like Richard Bendix were critical of this perspective regarding the role of the state in societal development and argued that the modern state has always played a central role in its own right.⁸ Further scholars such as Clark Kerr stressed that there is an essential unity to the industrial order where it emerges. This has been called the "convergence theory", which more specifically involves the conception that the differences between the capitalist and state socialist societies are diminishing.⁹ But despite differences in emphasis and in objects of study the basic premise of most authors on the subject during these decades, clearly stated or implied, was that the industrial and democratic societies in the West could serve as a model to bring about social changes in less developed areas of the world.

Taken together, the general view of the modernism theory, at least up to the late 1960s, was that the stage of societal development of a given country could be measured on the dichotomous "traditional-modern" scale. Expressed by abstract typologies such as *Gemeinschaft* versus *Gesellschaft* (Tönnies), "mechanical" versus "organic solidarity" (Durkheim), "traditional" versus "rational" (Weber), "folk" versus "urban" (Redfield), "local" versus "cosmopolitan" (Merton), "traditional" versus "modern" (Lerner), "particularism" versus "universalism" (Parsons), etc.

In the late 1960s and in the 1970s traditional sociology shifted its attention from studies on industrial society to longrange forecasting of future

developments. This was partly due to the fact that many of the ongoing large-scale social changes could not be adequately explained by the prevailing social theories. But the most important reason was probably the need of governments in the industrialized world to try to see the shape of society some decades ahead to be able to meet various commitments of welfare and planning. Governments simply had to plan the future of respective societies and, as a consequence, institutes of future studies suddenly proliferated in most advanced countries of the world. And since many sociologists played a leading role in such activity, sociology as an institutionalized discipline became more oriented towards the future than in the preceding decades.

At that time it was claimed that the industrial societies were entering on a new phase of their evolution comparable to the transition which a hundred years ago took European societies from an agrarian to an industrial social order. A variety of terms have been employed to refer to this new type of society. Zbigniew Brzezinski speaks of the "technetronic society", Herman Kahn of the "post-economic society", Amitai Etzioni of the "post-modern society", Kenneth Boulding of the "post-civilized society", Murray Bookchin of the "post-scarcity society". Peter Drucker of the "knowledge society", and Daniel Bell of the "post-industrial society", to mention only few of the leading theorists in this field of study. The last term, which is also used by Alain Touraine, is now employed as the general label for the emerging society.

Although there is no generally accepted theory on the development towards a post-industrial society, most of the theorists mentioned above agree on the point that the importance of the industrial sector will diminish and employment will be increasingly concentrated in the service sector. In this context, however, it is not possible to take up all the themes related to the supposed social order of the post-industrial society. The treatment of the subject matter is therefore restricted to some ideas central in the works of Daniel Bell and Alain Touraine, authors considered largely representative for what the majority of post-industrial theorists stand for. In fact, Bell is the most frequently quoted exponent of the post-industrial idea and generally viewed as the intellectual leader of the post-industrial school. Touraine, on the other hand, represents the more radical European version of the post-industrial idea.

The concept of the post-industrial society, according to Bell, is a large generalization, which can be more easily understood by specifying the following five components of the term:

1. Economic sector: the change from a goods-producing to a service economy;
2. Occupational distribution: the pre-eminence of the professional and technical class;
3. Axial principle: the centrality of theoretical knowledge as the source of innovation and of policy formulation for the society;
4. Future orientation: the control of technology and technological assessment;
5. Decision-making: the creation of a new "intellectual technology".¹⁰

This means that, in contrast to the industrial order, manufacture in the post-industrial society is increasingly displaced by services; white collar workers are replacing blue-collar workers as the single largest category in the labour force, and within the white collar category there is an increasing predominance of the professional, scientific and technical groups; universities and research institutions, which are the main locals in which theoretical knowledge is formulated and evaluated, are becoming the central institutes of the emerging society; technological growth is increasingly being consciously planned; and statistical and computerized techniques are used increasingly to formalize a set of general decisions rules.

In some respects, Touraine's version of the post-industrial thesis is similar to Bell's ideas in *The Coming of Post-Industrial Society* (1973). Both are arguing that, especially since World War II, there have been significant changes in the social processes of production and reproduction in industrial society. And they agree upon the central importance of universities and what Touraine calls "the knowledge class" for the productive and managerial apparatus of the new society. But in other respects their works are an example of how relatively similar conceptions of society take on radically different meanings in concrete analyses. Most importantly, we can observe that whereas Bell supposes a development towards greater social integration and harmony of the new order and interprets all important societal changes in an "end of ideology" direction, Touraine suggests, in brief, that we are indeed moving into a new phase of social relations, and that we therefore should be prepared to examine and understand the new social classes, conflicts, and ideologies that will develop. Thus, Touraine insists that class conflict will not vanish with the disappearance of industrial society. The difference is that it originates from other sources and appears in significantly altered forms. In industrial society, according to him, class struggles centre upon the appropriation of economic returns, but in post-industrial society class conflicts concern the alienative effects of subordination to technocratic decisions. For Touraine a deepening conflict is to be expected between the management of the apparatuses of production, i.e., the ruling class, and rulers of the large scientific and technical organizations, i.e., the technocrats, on the one hand, and, on the other, all those who are dominated by these apparatuses in the increasingly integrated fields of manufacturing, communications, training, and consumption.¹¹

The critics of those versions of the modernism theory which dominated in the 1950s and 1960s, in particular the modernization view, have challenged many assumptions embodied in that view. Joseph R. Gusfield, for instance, pointed out seven fallacies in the assumptions of the traditional-modern polarity.¹² These fallacious assumptions are as follows:

1. Developing societies have been static societies.
2. Traditional culture is a consistent body of norms and values.
3. Traditional society is a homogeneous social structure.
4. Old traditions are displaced by new changes.
5. Traditions and modern forms are always in conflict.
6. Traditions and modernity are mutually exclusive systems.
7. Modernizing processes weaken traditions.

According to Gusfield—to take one example of his arguments against these assumptions—it is fallacious to assume that a traditional society always existed in its present form or that the recent past represents an unchanged situation. What is seen and labeled by the proponents of the modernization view as the “traditional society” is often itself a product of change.

The meaning of concepts such as “modernizing social change” and “resistance to change”, which are common in the literature on the subject, are usually related to the ethnocentrism of Western social sciences. But for many social scientists and people living in the developing countries “resistance to change” might seem rational rather than an alleged “backward” kind of attitudinal resistance.¹³ From that point of view the concept of modernization is seen more or less as an ideological defence of Western capitalism over the rest of the world. Some scholars even claim that terms like development, Third World and modernization were only invented to replace older and more distasteful ones. In Wallerstein’s words:

“Backward nations were only underdeveloped. The Yellow Horde became instead the Third World. And progress no longer involved westernization. Now one could antiseptically modernize.”¹⁴

What is, however, essentially problematic with all such concepts related to the paradigm of modernization is that they could in most instances be characterized as predominantly ahistorical. Not taking into account, for instance, that historical evidence demonstrates clearly that various developed countries have followed quite different paths of development during the past hundred years. But the most serious defect of these conceptions is to suggest that to modernize underdeveloped countries must follow the development of the Western countries on a historical continuum where the Western and technologically developed nations are placed on the upper level and the developing on the bottom level. Thereby it is totally denied that those non-western nations have a wealth of history, development and change behind them. The countries on the bottom level were simply treated by many theorists as if their overall characteristics—such as social organization, social relations, economy and technology—were basically the same.

The concept of the post-industrial society has been criticized heavily by authors like Anthony Giddens (1973) and Krishan Kumar (1978). Giddens main-

tains that any conception of "post-industrial" society suffers from the very same shortcomings as that of "industrial" society and "feudal" society, such as the lack of restricted definition of what are the basic characteristics of respective societies. Feudal society implies simply the predominance of agrarianism, industrial society the predominance of industry, and post-industrial society the predominance of services. The diversification, complexity and dynamism which is inherent to each country is reduced down to one common and vaguely defined social feature. If services, for instance, predominate rather than industry in a given society this means that it can automatically be classified with other such societies as a unitary type. Thus, in this and some other respects the conception of post-industrial society combines only the same inadequacies as the old dichotomies, i.e., feudal/industrial, *Gemeinschaft/Gesellschaft*, etc., by simply adding the third type supposedly coming to supersede industrial society as well as the fallacious assumption that the level of industrial or technical development "in the last instance" determines other aspects of social and political organization.¹⁵

Concerning the argument by the post-industrial theorists that the importance of the industrial sector will diminish and employment will be increasingly concentrated in the service sector, Krishan Kumar, among others, has shown that this is not really a new development. The highly industrialized society never reached the level where the majority of the labour force was employed in industry. From the beginning the process of urbanization meant that employment increased in both the industrial and the service sector. The new feature is that the number of employees is now increasing in the service sector only, and this is mainly due to the far superior improvement of productivity in transformative industries. It is therefore difficult to regard this as a good yardstick of the diminishing importance of goods production.¹⁶

Lars Anell has tried to explain what is actually happening in the expanding service sector and further indicated what forces will influence developments in the future.¹⁷ In the first place, according to him, a substantial proportion of consumption of services is "compulsory", i.e., the most expansive "industries" are schools, public health, and medical services. Secondly, part of the employment in the service sector is directly related to goods production. We have transport and distribution services because there are goods to carry and to sell, etc. And the fact that increasingly efficient machines and robots take over a growing proportion of the purely physical production, while more and more people are engaged in supervising, controlling, transporting, research, selling, and book-keeping, is no reason for saying that the importance of the industrial sector has diminished. Thirdly, Anell argues that the proportion of services "proper" in relation to disposable income, i.e., theatre, cinemas, laundry, domestic help, hairdressing and travel, is decreasing. The

only exceptions are postal and telecommunications services, and tourism. Nowadays we are actually buying machines and producing the services we need ourselves.

Even though the claims that societies have to follow similar paths towards modernization and that “industrialism” is being supplanted by “post-industrialism” are based on weak grounds, the modernization perspective is still of continued importance for the study of societal development. Firstly, the basic assumptions on which the modernization theory is based are still shared by most Western governments and international organizations such as the development agencies associated with the United Nations, the World Bank, and so on. Furthermore, the traits identified as integral to an affluent industrial order are regarded as “indicators” of development, and have been used to guide political and economic policies towards the non-industrialized states.¹⁸ Secondly, critical examinations of the modernization theory have influenced alternative explanations of societal development. Many scholars have made attempts to identify and elucidate issues at the centre of contemporary debate about the nature and characteristics of so-called developing societies by locating them in historical and global contexts.¹⁹ Thirdly, the post-industrial idea has been especially valuable in directing the attentions of social scientists to relatively unfamiliar, hidden, and now dramatically accelerating tendencies that form the “undergrowth” of classical industrialism. For instance, towards features like the growth of services and white-collar occupations which have been obscured by the received stereotypes of the industrial society.²⁰

2.3 Monopoly Capitalism

During the interwar period Marxist studies successively moved from economics and politics to philosophy. Notable economic analysis, within a Marxist framework, almost vanished after the Great Depression. After the silencing of Gramsci, political investigations of the bourgeois state became steadily less important. Strategic discussion of the roads to a realizable socialism likewise nearly disappeared. At the same time a new generation of leading Marxist theorists took the place of Lenin, Luxemburg, Hilferding, Trotsky, Bauer, Preobrazyensky and Bucharin. Including names such as Adorno, Marcuse, Horkheimer, Satre, Goldman, Althusser, Della Volpe and Colletti. In contrast to the older generation the new generation was hardly ever linked to any popular movement for revolutionary socialism. They were holders of academic chairs or leading intellectuals, rather than active in the class struggle. And their works were more epistemological than substantive in character.²¹

Due to the fact that western Marxists were for decades predominantly concerned with philosophical questions, many important topics remained ignored. With few exceptions it was not until the late 1960s that Marxists became again seriously concerned with themes like the laws of the capitalist mode of production and made attempts to further develop the Marxian model of competitive capitalism to the conditions of contemporary capitalism. Among the path-breaking works were Paul A. Baran and Paul M. Sweezy's *Monopoly Capital* (1966) on the crucial role of technological change in the development of monopoly capitalism; Ernest Mandel's *Late Capitalism* (1975) followed by *The Second Slump* (1978) and *Long Waves of Capitalist Development—The Marxist Interpretation* (1978); Harry Braverman's *Labor and Monopoly Capital* (1974) on the transformation of the labour process in the twentieth century; Richard Edwards' *Contested Terrain* (1979) on the transformation of the workplace; and Michel Aglietta's *Theory of Capitalist Regulation* (1979).

Perry Anderson claims that with works like those of Mandel, Braverman and Aglietta, Marxist discussion of contemporary capitalism again reached, and in some vital respects surpassed, the level of the classical epoch of Rosa Luxemburg and Rudolf Hilferding.²² In our view, this goes equally for the efforts by Baran & Sweezy and Edwards to provide a rigorous model for the study of capitalist development.

In this section, however, the focus is on the theory of monopoly capitalism, which was first constructively introduced in Hilferding's *Das Finanzkapital* (1910) and Lenin's *Imperialism, the Highest Stage of Capitalism* (1917). The most substantial recent discussion of this stage in development of capitalism from the Marxist point of view is found in the works mentioned above by Baran & Sweezy, Braverman and Edwards.

Differing from Marx, who more or less derived his theoretical model of the competitive capitalist system from the study of Britain, the theorists in question base their theoretical model of the monopoly capitalist system primarily on the United States. But the arguments for both these choices are in principle the same. Britain was by far the richest and most advanced capitalist country of Marx's day. And during most of the post-war period the United States has been as far ahead of other countries in terms of capitalist development as Britain in the nineteenth century.²³

Consequently, these theorists postulate that the model of competitive capitalism is no longer the model of capitalism today. They claim that nineteenth century capitalism, where there existed mostly a one-to-one relationship between the individual owner of capital or small groups of partners and the capitalist firm, has been displaced by a substantially different economic structure, i.e., monopoly capitalism.²⁴ In this new system the typical econ-

omic unit is not the small firm producing a negligible fraction of a homogeneous output for an anonymous market. Instead, it is a large-scale enterprise which has reached a position of single or shared monopoly (oligopoly) in an industry, or even several industries.²⁵ Being in that position these companies have a tendency to further expand their horizons and find a bigger world in which to operate. Thus vertical integration, diversification and multinationalism have in different combinations become alternate paths of growth.²⁶

In the case of the United States it is generally agreed that monopoly capital had its beginnings in the last two or three decades of the nineteenth century when the concentration and centralization of capital, in the form of the early trusts, cartels and other forms of combination, began to assert itself; and consequently the modern structure of capitalist industry and finance began to take shape.²⁷ Thus the modern corporation came into its own as a consequence of this development in the second half of last century, first in the fields of finance and railroads, spreading to industry around the turn of the century, and later invading most other branches of the national economy.²⁸

The actual transition to monopoly capitalism in the United States took place between 1890 and 1920. Here it is important to note that this structural change of the economy produced two distinct types of business enterprises; firstly, a few hundred core firms that control the major portion of the economy's production, profit-making, and accumulation, and secondly, around the core firms, in industries or branches of industry which they have not invaded, nearly 12 million small and medium-sized firms continue to survive. These firms, which are the economy's periphery, are a continuation of nineteenth century capitalism now existing in a system dominated by big business.²⁹

From the 1920s there has, further, been a growing trend towards monopolization in the economy of the United States. First, if we look at the individual industries, we find that monopoly has remained in old industries and that monopoly has emerged in new industries. Secondly, if we look at all industries together, the global estimates show the slowly but steadily increasing market power of the monopoly firms. In other words, the early-established oligopolies continue to exist today, dominant firms have appeared in the new industries that have developed since the 1920s, and the trend is unmistakably the same in some older industries that had not "matured" by the 1920s.³⁰

Four interrelated changes, which are claimed to coincide with the development of monopoly capitalism, are considered theoretically valuable for this study. These are as follows:

(1) the generalized practice of scientific management;

- (2) the new scientific-technical revolution;
- (3) the change in the role of state; and
- (4) the change in the composition of the class structure.

These changes have served as a basis for understanding and explaining the transformation which has occurred within capitalism since the late nineteenth century. Scientific management and the scientific-technical revolution, for instance, are viewed as two of the prime aspects of monopoly capital. In Braverman's words:

"Both chronologically and functionally, they are part of the new stage of capitalist development, and they grow out of monopoly capitalism and make it possible."³¹

The scientific management movement initiated by Frederick W. Taylor was brought into being by the monopolistic organizations of industry in the last decades of the nineteenth century.³² Braverman summarizes the principles of Taylorism or scientific management as follows:

"Thus, if the first principle is the gathering together and development of knowledge of labor processes, and the second is the concentration of this knowledge as the exclusive province of management—together with its essential converse, the absence of such knowledge among workers—then the third is the use of this monopoly over knowledge to control each step of the labor process and its mode of execution."³³

In general, scientific management is described by Braverman as an attempt to apply the methods of science to increasingly complex problems of labour in rapidly growing enterprises. In this view, however, scientific management lacks the characteristics of a true science because it is only intended to be a science of the management of other people's work under capitalist conditions. But there is no doubt in Braverman's mind that one cannot overestimate the importance of the scientific management movement on the shaping of the modern corporation and, as a matter of fact, all institutions which carry on labour processes.³⁴

Richard Edwards claims that authors like Braverman tend to lay too much emphasis on the impact of scientific management. Closer analysis is meant to suggest that it played a more circumscribed, though still important, role. The significance of scientific management, according to him, was that it showed the possibilities of applying corporate resources to control the labour force in a systematic way. Despite differences as regards the influence of scientific management, Edwards agrees partially with Braverman on the importance of the principles of Taylorism. In particular, the systematic attempt of management to gain full control over the special knowledge of production, i.e., what Braverman described as the "separation of conception from execution". In other words, the separation of planning and doing work, and consequently separation between workers and management. Thus, by putting the principles

of scientific management into practice, the labour process is now increasingly being divided between separate places and separate groups of workers, where in one location the physical processes of production are executed while in another the mental part is concentrated.³⁵

The scientific-technical revolution, based on the systematic use of science for more rapid transformation of labour power into capital, began also at the same time as scientific management. Then, instead of spontaneous innovations indirectly evoked by the social processes of production, which characterized the period from the so-called Industrial revolution, came the planned progress of technology and product design. Science became gradually incorporated into the capitalist mode of production and systematically started to lead the way for industry.

This process, which is still going on, began by the transformation of science itself into a commodity bought and sold like any other article on the market. And like all commodities, its supply is called forth by demand, with the result that the development of materials, power sources and processes has become less by chance and more responsive to the immediate needs of capital. For this reason, Braverman says, the scientific-technical revolution must be understood in its totality as a mode of production into which science has been integrated rather than in terms of specific innovations. Thus, the key innovation is not to be found in science-technologies such as chemistry, electronics or atomic physics, but rather in the transformation of science itself into capital.³⁶

Proponents of the theory of monopoly capitalism emphasize that the state has always played a crucial role in the development of capitalism. While this role has certainly increased quantitatively, they see no evidence of a qualitative change in recent decades. What happened with monopoly capitalism, according to them, was that the role of the state greatly expanded and is taking on a more complex and sophisticated form. In the end, and in all places, the maturing tendencies of monopoly capitalism are assumed to create a situation in which expansion of direct state activities in the economy cannot be avoided, i.e., to secure the functioning of the capitalist system.³⁷

Braverman, apparently strongly influenced by Baran and Sweezy's *Monopoly Capital*, has proposed four types of reasons to explain, at least to some extent, the expansion of direct state intervention in the economy.³⁸ The first type is that monopoly capitalism tends to create a greater economic surplus than it can absorb. Governments have therefore been forced to increase spending to keep the capitalist system in balance, i.e., in other words, to keep up "effective demand". Second, the internationalization of capital rapidly created a situation of economic competition which brought in its wake military clashes among capitalist countries. The spread of revolutionary

movements in the countries dominated by foreign capital simultaneously gave to all capitalist countries an interest in policing the world structure of imperialism. Third, within capitalist countries, poverty and insecurity have become more or less permanent features of social life, and have grown beyond the ability of private societies to cope with them. Certain welfare measures have thus been adopted to offer a substitute for the revolutionary movements which would soon gain grounds if the rulers followed a more traditional laissez-faire course. Fourth, the rapid urbanization of society, and the acceleration of the pace of economic and social life, have created the increasing need for other government-provided services. Such as education, public health, postal services, and a multitude of other services.

The system of monopoly capitalism is supposed to have not only restructured the social organization of the labour process, but also to have changed the composition of the class structure. Two fundamental changes are considered most typical as products of the period of monopoly capitalism. First, the growth of clerical workers, operatives, sales workers, and service workers. Together with the traditional working class categories of craftsmen, industry workers, and other non-farm workers, they constitute the modern working class. Second, monopoly capitalism has brought into being a further mass of employment that does not answer so readily to the traditional Marxist definition of the working class. These are categories of employment referred to as the "middle layers" of employment. Their share in employment, according to Braverman, was somewhere between 15 and 20 per cent of the total work force around 1970. At the same time he estimated the size of the working class to be about 70 per cent, so we can estimate that the share of the petty bourgeoisie was close to 10 per cent, and of the capitalist class proper or the corporate capitalists about 1 per cent.³⁹

The theoretical model of the monopoly capitalist system is, as mentioned above, primarily based on the United States. This fact raises some important questions, such as: Can we apply this model or some aspects of it to all other capitalist countries? Are the maturing tendencies of monopoly capitalism the same in all places? Most proponents of the theory of monopoly capitalism and class analysts seem to take this for granted. But some exceptions can be found. Baran and Sweezy, for instance, call attention to the fact that Marx, analysing the most advanced country of his day, was eager in telling those living in the less developed countries that it showed them the image of their own future.⁴⁰ Should the analyst of American monopoly capitalism today therefore address the same message to the less developed parts of the capitalist world? Clearly, for them, the answer is no, since by looking back on the history of the last hundred years, it becomes evident that what Marx said about the less developed societies applied to only few of them, i.e., those

countries which never fell under, or had escaped from, the domination of more developed countries and therefore could deal with them on equal terms rather than being exploited by them.

The transition to socialism is not such a central theme in contemporary works on monopoly capitalism as it was within the Marxist discussion in the first decades of this century. At least, those authors on whom we have concentrated, avoid all serious discussion of concrete ways to socialism. However, the parts where they touch upon the subject show clear differences on how to accomplish such a transition. Baran and Sweezy emphasize that revolution is the only possible means of achieving socialism. But for them the Marxian orthodoxy, i.e., that the industrial proletariat must eventually rise in revolution against its capitalist oppressors, no longer carries conviction.⁴¹ Braverman argues that socialism must be brought into being, on the basis of an adequate technology, by the conscious and purposive activity of collective social movements.⁴² Thus, technological advancements are meant to lay the basis for the transition to socialism. Edwards, on the other hand, seems to believe that any movement for socialism must, to succeed, construct a strategy which both defends (and utilizes) democratic government and provides for a transition to socialism.⁴³ Taken together, these examples demonstrate clearly that there is not to be found any generally agreed theory on the development towards socialism among theorists of monopoly capitalism.

Capitalist development in general has been characterized in this century by the tendency of capital units to increase in size as well as the tendency to lose their identity and autonomy by coming under the control of larger entities. In the case of the United States and other highly developed capitalist countries these basic features of monopoly capitalism, i.e., concentration and centralization, have been very well established in various studies. Richard Edwards, for instance, compared the growth of large firms in the USA in 1919, at the beginning of the monopoly capitalist period, with the enterprises existing fifty years later. In three major industries, according to his sources, totally 166 firms in 1919 had assets exceeding \$ 50 million, but in 1969 the comparable number of large firms was 1258. Then the criteria of assets was set at \$ 75 million since prices had risen approximately 50 per cent during this period. The process of centralization is equally visible. The top 100 manufacturing firms in USA increased their share in total manufacturing assets from approximately a third in 1925 to roughly a half in the 1970s.⁴⁴ In Britain, similar trends have been observed.⁴⁵

One serious shortcoming of the theory of monopoly capitalism is to assume that these tendencies are the same in all capitalist countries. This means that divergent patterns of development are not to be expected and consequently such a view carries with it the assumption that developed capitalist countries

show the developing ones the image of their own future. Thus, no attention is directed to the fact that countries or other economic entities play and have played very different roles in the capitalist world-economy. Countries dominated or controlled by stronger powers are simply treated on the same grounds as the leading capitalist countries.

But the critical discussion of the theory of monopoly capitalism has in recent years mostly concerned other themes than the consolidation processes of capital. Most importantly, this has concerned Braverman's conception of scientific management, or Taylorism, and closely related topics like the degradation of work under monopoly capitalism, which, however, is the central issue in his *Labor and Monopoly Capital*. Among the main criticisms levelled at Braverman is his unproblematic acceptance of Taylorism and its implementation. The supposed extension of management control over the worker is, for instance, seen by him as a one-way process, in which the control over the labour process has passed into the hands of the management without noticable opposition by the worker. The dominant class is likewise treated as a totally organized, omniscient and united social movement, and the working class as a passive, powerless and unorganized force. According to various commentators of Braverman's work, however, views like these completely ignore that many unions in the United States were able to resist Taylorism, and in many other countries resistance was even more effective. In addition, he bypasses the fact that the working class has created its own organizations, trade unions and political parties. By these means, workers were able to resist Taylorism and effectively limit its application and success.⁴⁶ Furthermore, as Giddens argues, worker resistance to Taylorism was undoubtedly one of the factors which led to the subsequent rise of the "human relations" approach to management.⁴⁷

Another problem related to Braverman's conception of scientific management is that he fails to provide an adequate account of pre-existing forms of the subordination of the labour process to capital. What were the specific obstacles to valorisation confronted by capital in the nineteenth century? What were the existing forms of political and economic domination of labour by capital before the era of monopoly capitalism? Questions like these, which must be fundamental for explaining the rise of Taylorism, are mostly left unanswered by Braverman. He seems only to assume that prior to Taylorism control was not in the hands of management but that there prevailed some kind of order in which workers knew more than managers. But Braverman offers no real historical analysis of the assumed tendency of capital to wrest the labour process from craft control.⁴⁸

In this context it is also important to note that Braverman draws a clear distinction between the attributes of managers and those of capitalists. The

two sides of the capitalist—owner and manager—formerly united in one person, have now become aspects of the same class. To become a member of the capitalist class one must simply possess adequate wealth, while managers have to possess qualities such as aggressiveness and ruthlessness, organizational proficiency and drive, technical insight, and especially marketing talent.⁴⁹ We can further ask, by continuing this kind of reasoning, whether variations might appear not only between different fractions of capital but also within the management itself? One might speculate, as Michael Burawoy suggests, that different levels of management could be preoccupied with different levels of the labour process.

Lower level management, which is in daily contact with the workers, might oppose the introduction of Taylorism in an attempt to prevent conflict, while middle levels might be responsible for putting organizational changes into practice in order to increase productivity and reduce the cost of labour. For the highest levels the most important aim might only be profits and efficiency, but how they are realized is not likely to be of much interest to them.⁵⁰

2.4 World Systems

As a challenge to two of the dominant ideological currents of the modern world, liberalism and Marxism, especially their evolutionary versions, a new perspective on societal development pushed its way into academic circles during the 1970s. The critique that was raised against these modes of thought was mainly concerned with their developmentalist and mechanical premises. In particular, the view that every state and geographical entity must go through certain stages in its historical development. In the former case, the stages are generally referred to as traditionalism—industrialism—post-industrialism, and in the latter as slavery—feudalism—capitalism—socialism. The new perspective is claimed to be dialectical, whereas liberalism and Marxism in this context are characterized as mechanical. Since the modernism theory is a liberal standpoint and the theory of monopoly capitalism is one variant of evolutionary Marxism, we claim that this criticism applies to both these perspectives, i.e., at least to the extent they are described in the preceding sections.

This perspective has been designated as the “world-system perspective”.⁵¹ Most of its proponents are Marxists but some of them, such as Celso Furtado, could be regarded as liberals. The most significant contributions to this point of view are to be found in Andre G. Frank, *Capitalism and Underdevelopment in Latin America* (1969); Immanuel Wallerstein, *The Modern World-*

System (1974) and The Capitalist World-Economy (1979); Samir Amin, Accumulation on a World Scale (1974) and Unequal Development (1976); and Folker Fröbel et al., The New International Division of Labour (1980). In our presentation of the world-system perspective the focus is primarily on these four authors.

The basic premises of the world-system perspective are described as follows by Immanuel Wallerstein:

"I mean by the term that it is based on the assumption, explicitly or implicitly, that the modern world comprises a single capitalist world-economy, which has emerged historically since the sixteenth century and which still exists today. It follows from such a premise that the national states *are* not societies that have separate, parallel histories, but parts of a whole reflecting that whole. To the extent that stages exist, they exist for the system as a whole. To be sure, since different parts of the world play and have played differing roles in the capitalist world-economy, they have dramatically different internal socio-economic profiles and hence distinctive politics. But to understand the internal class contradictions and political struggles of a particular state, we must first situate it in the world-economy."⁵²

The capitalist world-economy, to be more specific, took definitive shape as a European world-economy in the sixteenth century and came to include the whole world geographically in the nineteenth century.⁵³ It is also important to draw attention to the assertions in the latter part of the passage quoted above concerning, for example, that states play differing roles in the capitalist world-economy and that class contradictions and political struggles in a given country are shaped by its position in the world economy. Of course, this does not mean—as often supposed by Wallerstein's critics—that internal factors do not influence the class relations and the political process of that particular country. Only that by situating a country in the world economy one should be able to get a deeper understanding of its internal class contradictions and political struggles.

The so-called core-periphery distinction is proposed by Wallerstein to situate theoretically any given state in the capitalist world-economy.⁵⁴ By that distinction one is able to differentiate those zones in which are concentrated high-profit, high-technology, high-wage, and diversified production (the core countries) from those in which are concentrated low-profit, low-technology, low-wage, and less diversified production (the peripheral countries). One is also able to identify a series of countries which fall in between in a very concrete way, and play a different role, i.e., the semi-peripheral countries. Wallerstein suggests further that no country can change its economic position in the capitalist world-economy without affecting the positions of other countries. A semiperipheral country, for instance, which rises to core states does so, not merely at the expense of some or all core powers, but also at the expense of other semiperipheral powers.⁵⁵

Andre G. Frank, one of the main proponents of the so-called dependence theory, claims in very much the same way as Wallerstein that underdevelopment of a country or particular regions has no relation to societies untouched by capitalism. The expansion of capitalism is meant to have given rise to underdevelopment and the underdeveloped countries are seen as an integral part of the capitalist world-economy. The advanced countries have simply maintained their historical links to the underdeveloped ones, which accounts for the underdevelopment of the latter. This dialectical relationship is demonstrated in the case of Latin America by his so-called "Metropolis—Satellite" model. That model is specifically developed by a series of hypotheses of which the following three, herewith summarized, are considered to be the most important:

1. The development of the capitalist system into metropolitan centres and peripheral satellites is caused by the fact that the former expropriate the economic surplus from the latter. That is, the metropolis develops at the expense of its satellites and through their exploitation.
2. Weakening of metropolis-satellite relations may generate less deep structural underdevelopment and/or allow a greater possibility of local development.
3. The most underdeveloped regions within the national metropolis are so because of their direct relation with the metropolis for a specific exploitation of primary products. When mines or other such resources are exhausted, these areas are simply abandoned.⁵⁶

On the basis of such arguments, Frank challenges particularly the generally held hypothesis by the modernization theorists that the source of underdevelopment is due to isolation and pre-capitalist institutions of a given region or country.

In his criticism of evolutionary theories of societal development, Samir Amin is particularly concerned with the international division of labour and the role of transnational companies in relation to peripheral capitalism. Contemporary transnational firms, according to him, are characterized by the scattering of their production activities across the world. They are made up of establishments distributed among the five continents, thus realizing a model of vertical integration that is often total. These establishments supply various products which are typical of the "age of consumption" such as durable goods like domestic appliances, electrical and electronic devices, vehicles, etc., items which are always sharply distinguished by a particular trademark and the organization needed for after-sales services. The international dispersion of the different stages of production of these goods is seen as a sign of the birth of a world production process in the full sense of the term, i.e., the old international division of labour, materialized in the ex-

change of products, is being replaced by a division inside the firm.⁵⁷

From the end of the Second World War the transnational companies have invested large capital sums in the countries in which their subsidiaries operate, i.e., in the underdeveloped or Third World countries. And they have increasingly tended to locate factories in those areas where there is close access to sources of cheap raw material, energy and labour. One consequence of this is that the underdeveloped countries have been broken up into micro-spaces or fairly unrelated sectors where, in Amin's words: "The underdeveloped economy is made up of sectors, of firms, which are juxtaposed and not highly integrated among themselves, but which are, each on its own, strongly integrated in entities whose centres of gravity lie in the centres of the capitalist world."⁵⁸ These developmental trends bring also up for consideration questions regarding whether these countries can benefit direct from the location of such enormous production capacity in these regions. For instance, whether they could utilize these means to develop an economic infrastructure to increase material prosperity.

Most proponents of the world-system perspective consider that doubtful, although it depends largely on the situation from one country to another. The underdeveloped countries must at least achieve significant control over the inflow and outflow of capital, and further, to be able to translate this advantage into a real shift in economic position, there has to exist a diversified economic sector outside that dominated by international capital.

One variant of the world-system perspective has recently been put forward by Folker Fröbel, Jürgen Heinrichs and Otto Kreye in their extensive study on *The New International Division of Labour* (1980). According to them, the economic, social and political history of the last five centuries has been shaped by the global development of the capitalist form of society, which has been essentially determined by the movement of capital. By referring to Marx's analysis of capital they maintain that the valorisation (*Verwertung*) and accumulation of capital together are the prime movers behind capitalist development. The sole motive of the capitalist, inasmuch as he functions as the conscious representative of this movement, is the unlimited appropriation of abstract wealth in the form of money. The analysis of capitalist development has therefore to proceed from the process of the valorisation and accumulation of capital, and its determinants, i.e., its requirements, possibilities and obstacles. But not, for instance, from the development of the wage labour/capital relation, or the development of the forces of production, or, for that matter, developments in belief, value or idea systems. Thus, the creation of a free labour force and the unfolding of the productive forces are only seen as particular means, though decisive ones under specific conditions, which exist alongside others for ensuring the valorisation and accumulation of capital.⁵⁹

The main thesis of these authors is that the world economy is passing through a fundamental qualitative change which is forcing companies to reorganize their production on a global scale. This change in the present conditions of valorisation and accumulation of capital is claimed to be strongly reflected in a number of easily observable phenomena. On the one hand, phenomena such as stagnating or declining investment rates, high rates of structural employment and a long-term fiscal crisis of the state in the industrialized countries, and, on the other, increase in foreign investments and establishing of export-oriented manufacturing in the developing countries, but so far without providing any improvements in the social conditions of the mass of the populations in these countries. And all this is happening in the context of world-wide higher turnovers and profits by individual companies. Production is simply being relocated to new industrial sites, increasingly in the developing countries, at the same time as the use of rationalization measures accelerates at the traditional sites of industrial manufacturing, involving the partial "deindustrialization" of the West. In general terms this means that within the world-wide capitalist system the balance is shifting from the traditional "centre" towards or even within the "periphery".⁶⁰

Three sets of conditions are claimed to be decisive for this new development. First, the practically inexhaustible reservoir of cheap labour in the developing countries. In this context it is pointed out, for instance, that the wages which capital actually has to pay in the "low wage countries" are approximately 10 to 20 per cent of those in the traditional industrialized capitalist countries. The working day is likewise considerably longer in the "low wage countries" than in the industrialized capitalist countries. Second, the development and refinement of technology and job organization has made it possible to break down production processes into elementary units and simple routines which can be performed even by unskilled labour after only short periods of training. This implies that skilled labour receiving higher wages can be replaced by un- or semiskilled labour receiving lower wages. Continuing fragmentation of jobs along these lines results in capital acquiring a monopoly of the knowledge related to the control and execution of the labour process.

Third, the efficient systems of transport and communications which have emerged are making the location and management of production itself independent of geographical distance.⁶¹

Fröbel, Heinrichs and Kreye have designated this structural movement as "the new international division of labour". For them it is an "institutional" innovation of capital itself, necessitated by changed conditions, and not the result of changed developmental strategies by individual countries or options freely decided upon by multinational companies. In fact, the prevailing conditions in the capitalist world-economy are supposed to imply that the efforts

of individual countries either to reduce structural unemployment in the industrialized countries or to achieve a balance of industrialization in the developing countries are bound to fail. Instead, various countries and companies must, in order to succeed, tailor their policies and profit-making strategies to these new conditions, i.e., to the requirements of the world market for industrial sites.⁶²

The world-system perspective emerged, as mentioned earlier, primarily as a critique of unilinear theories of societal development. Instead of looking at the nation state as the sole unit of analysis, and assuming that all countries can potentially follow a single path or parallel paths, this approach emphasizes the methodological necessity of studying societies as interrelated social systems on a world scale. This implies that the point of departure for analyses of societal development of a given capitalist country is to situate it in the capitalist world-economy. Thus, it is evident that the world-system perspective does not have to contradict all aspects of the theories of modernism and monopoly capitalism. The objects of study are in many cases simply approached from a different angle and explained within a broader conceptual framework. Consolidation processes of capital, i.e., concentration and centralization, for instance, might from the world-system standpoint be explained with reference to the whole capitalist world-economy rather than in the context of respective states.

But despite great ambitions and relatively rigorous methods of study, the leading theorists of this school of thought have already been subject to heavy criticism. The analyses of the capitalist world system by Frank, Wallerstein, Amin and Fröbel et al. are all claimed to be characterized by so-called "economic reductionism".⁶³ This kind of critique specifically concerns what types of ideas about determinants of socio-economic and political structures are built into respective models. Theda Skocpol suggests, for instance, that the main shortcomings of Wallerstein's model are best seen by looking at it as based on the following two-step reduction:

"first, a reduction of socio-economic structure to determination by world market opportunities and technological production possibilities; and second, a reduction of state structures and policies to determination by dominant class interests."⁶⁴

Regarding the first step, Skocpol argues that Wallerstein is actually explaining the fundamental economic dynamics of the capitalist world system in terms of exactly the variables usually emphasized by liberal economists, even though he seems to be placing a great deal of stress on the class structures of the major zones of world capitalism. Thus Wallerstein is considered to ignore the basic Marxist view that the social relations of production and surplus appropriation together are the determining force behind the functioning and development of any economic system. In the case of the second step, the argument is that he

reduces politics to world market-oriented class interests in order to be able to assert that the system will be exploitative, and remain so over the long run. In that way, the model emphasizes the necessity of political domination within the world system and simultaneously undermines any independent efficacy in politics. In short, Skocpol's point is that Wallerstein's model of the capitalist world-economy cannot be of much use for analysing and explaining actual historical developments.⁶⁵

Robert Brenner has directed attention to the striking parallels between the controversy in the 1950s over the transition from feudalism to capitalism and the more recent debate about the rise of underdevelopment.⁶⁶ His basic claim is that to understand the position taken by Wallerstein, and Frank as well, one has to see it as a direct outgrowth of the arguments put forward then by Paul Sweezy. And to grasp this line of thought, it is meant to be essential to see that the basic theoretical premises of all these three writers are incorporated in the model proposed by Adam Smith in *The Wealth of Nations*, a model emphasizing that the development of a society's wealth is a function of the degree of the division of labour, whereas the division of labour is limited by the extent of the market, i.e., the size of the area and population linked up via trade relations. By adopting these assumptions both Sweezy and Wallerstein, like Smith, implicitly or explicitly, equate capitalism with a trade-based division of labour and with one of the consequences being that the rise of distinctive capitalist class relations of production is no longer seen as the basis for capitalist development, but as its result.⁶⁷

Fröbel et al., in contrast to Wallerstein, state clearly their view that the valorisation and accumulation of capital together are the prime mover behind capitalist development. The critical examination of their work has therefore mostly concerned other matters, such as the concept of the "world capitalist economy" as well as those of "core" and "periphery". The first concept is claimed to be a misnomer for reasons like those that it deflects attention from the military power of the nation-states and that the "world capitalist economy" never has been, and is not today, wholly capitalist. In practice, the concepts of "core" and "periphery" are not supposed to be of much value except as over-all orientating notions since the "core", for instance, is clearly shifting, unstable and subject to major internal diversification. Furthermore, it is indicated that the thesis of the new international division of labour undermines the major politico-military changes of the past decades, the continued importance of the nation-state, and that the so-called transnational corporations are still nationally based companies, i.e., they have their headquarters within "parent" states.⁶⁸

2.5 Alternative

The exploration of three major theoretical frameworks for analyzing societal development which has been conducted in the preceding sections shows that none of these frames is without serious limitations. The modernism theory is predominantly characterized by ahistorical model-building, especially concerning the concepts related to the paradigm of modernization. The theory of monopoly capitalism suffers from fallacious assumptions, such as those that the tendencies of capitalism are the same in all capitalist countries, not taking into account the complexities, diversities and dynamics inherent to every country. And the world-system perspective is, in some respects, too abstract for explaining concrete historical developments. We think, on the basis of our assessment, that the main problem for these perspectives is the difficulty to explain what is historically specific without failing to be analytically universal. This means that in order to meet a rigorous theoretical standard each perspective must enable us to go from the historically concrete to general propositions about societal development and vice versa.

As regards the study of the developmental trends and basic characteristics of the Icelandic society, we think that it is possible to solve this problem—at least to some extent—by combining certain elements which are built into the theory of monopoly capitalism and the world system perspective. In the first place we attempt to situate Iceland in the capitalist world-economy defined as a tri-modal system including core, semiperipheral, and peripheral regions or states. The analysis is conducted within the framework suggested by Wallerstein where the criteria used are profit rate, technological stage, wage level, and diversity in production. Secondly, we investigate the patterns of those features which have been identified as characteristic for the general advance of capitalist development, such as consolidation processes of capital, incorporation of science into the production process, development of scientific management, changes in the composition of the class structure, and growth of state activities. In addition, there is a further analysis of class structure and the features involved in the process of class formation, i.e., growth of organizations in the labour market, emergence and development of political parties, and different standpoints of these organized actors in a number of social and economic issues, and so on. Concerning the last aspect, the point is specifically to evaluate how differences and consensus in certain spheres and issues have influenced the process of class formation in Iceland.

Thus, by incorporating some important elements from the theory of monopoly capitalism into the world system perspective we think it is possible to provide a scheme for the study of societal development. A scheme which emphasizes that experience and models applied for the study of a given coun-

try are not strictly applicable to another due to varieties in social organization, social relations, economy and technology. At the same time, we are equally aware of the fact that some aspects of societal development have to a considerable degree been common for all capitalist countries.

It should be noted that we see the rise of distinctive capitalist class relations in general as the basis for capitalist development, but not as its result. Regarding peripheral and semiperipheral countries, however, there is much evidence which indicates that external factors have influenced capitalist development to a considerable extent. One therefore cannot exclude the possibility that societal development in such countries has been (or is) primarily determined by foreign powers. Capitalist class relations might thus in a certain sense be seen as a result of capitalist development.

Before we proceed with the analysis of the societal trends in Iceland there follows, in the next chapter, an overview and a critical assessment of some relevant sociological and political studies of the Icelandic society.

3.0 Studies of Icelandic Society

3.1 Introduction

Social sciences, including sociology, political science and social anthropology, did not emerge as academic disciplines in Iceland until the late 1960s and the early 1970s. At that time these disciplines had firm roots neither in the academic community nor among the public. Earlier works on these fields of study were mostly isolated instances. In 1941 Guðmundur Finnbogason translated J. Rummey's *An Introduction to Sociology*, to introduce sociology to Icelanders. In 1953 Jóhannes Nordal became the first Icelandic to receive a Ph.D. in Sociology. His dissertation was on *Changes in Icelandic Social Structure Since the End of the Eighteenth Century, With Particular Reference to Trends in Social Mobility*. In 1954 Einar Olgeirsson published his study of the early Icelandic society—the Viking Age—called “Ættarsamfélag og Ríkisvald” (Kinship and State Power), using the old sagas and hero legends as means of influencing people in the struggle for a classless society. And during the 1960s Hannes Jónsson, one of the first sociologists in Iceland, founded a private institution named the Social Institute which for several years published books on sociological and related fields of study and even held courses in various subjects.¹

The breakthrough for social sciences in Iceland came formally in the autumn of 1970 when the Department of Social Sciences was established at the University of Iceland, enabling students to obtain a B.A. degree in sociology and political science. Its foundation was the result of the work of no less than four committees which one after another had worked on proposals for opening a new department in social sciences at the university. But it was above all the expansion of higher education and increasing demands for new lines of study that provided the context for the institutionalization of sociology in Iceland.

The committees that prepared for the establishment of the Department of Social Sciences were mostly made up of professors from different faculties at the University of Iceland. But none of these individuals was trained as a professional sociologist. Consequently, the committees sought advice both from Icelandic and foreign scholars. Among the principal advisers to the committees were: Professor T.E. Chester, University of Manchester; Professor Richard F. Tomasson, University of New Mexico; Fredrik Bredahl-Peterson,

University of Edinburgh; Professor Alfred McClung, Brooklyn College, University of New York; and Ólafur R. Grímsson who later became the first professor in political science at the University of Iceland. Given this background and the fact that the first teachers were mostly educated in the United States and Britain, it becomes evident that the early ideas shaping Icelandic sociology were of a notably Anglo Saxon origin. The new social science disciplines were, in a sense, implanted from the outside without much apparent continuity with earlier contributions in these fields of study nor the established university disciplines.

In the beginning, the Department of Social Sciences concentrated on building up courses for a B.A. degree in sociology, political science and social anthropology. But by 1973 the department moved the emphasis towards the advancement of research. Thórólfur Thórlindsson recently pointed out that the research output of teachers and students over the first years shows that Icelandic social science research is characterized by two major methodological trends;² one being historical and probably due to relatively little literature on modern political history, intellectual history, and macrosociological theories being available at the time when these disciplines were introduced into the academic community, and the other being an empiricist trend emphasizing the collection of data by survey or documentary methods. Thus, the first studies of the Icelandic society are not very theoretical in character. Instead, the emphasis has been on empirical work and general data gathering, which the department has considered more important for the growth of reliable knowledge about the Icelandic society than theorizing along the grand traditions.³

It is in this context that we provide an overview of the most important sociological and political studies of the societal development in Iceland. The aim is to bring to the fore some essential characteristics of these studies in order to evaluate their explanations of those changes which have transformed the Icelandic society in this century. The emphasis is specifically on basic premises, central themes and critical weaknesses of these works. In addition we look at how each study can be located within the theoretical frameworks described in the preceding chapter. On the basis of such an assessment we claim to have a more solid ground for presenting an alternative way of dealing with some of the main features of capitalist development in Iceland.

3.2 The First New Society

One of the advisers to the university committees that prepared for the establishing of the Department of Social Sciences in 1970, Professor Richard F. Tomasson at the University of New Mexico, carried out during the 1970s an extensive study of the development of Icelandic society. In his book *Iceland: The First New Society* (1980) and several other publications, Tomasson proposes that Iceland can be usefully viewed as a "new society" or a "new nation" in the same way as these concepts are used by Seymour Martin Lipset (1963) and Louis Hartz (1964).⁴ Iceland is claimed to belong to a category of fragment new societies like the United States, Australia, New Zealand, and Argentina that are offshoots of a European mother country. In fact, Iceland is the first of this type of society to be founded in historical times and the only European society whose origins are known.

Such new societies are, according to Tomasson, confronted by similar challenges and experiences of establishing national autonomy and nation building, and they share certain similarities in their dynamics of development as well. From the beginning the new society is based only on fragments of culture detached from the whole of the country of origin. Only certain properties, certain institutions, and certain ideas are brought to the new land by the first inhabitants. When these parts become a whole of a new nation they lack the dynamics and complexity of the older country. These societies are therefore less prone to change. In addition, fresh knowledge about the origin of a society tends to preserve the original institutions, values and norms.

On the basis of this theoretical background, Tomasson's main thesis is that certain values, which took shape during the early period of Icelandic settlement, have been passed down through the centuries and had the most significant influences on the social structure and culture. Among these values are egalitarianism, individualism, freedom, skepticism towards authority, empiricism, and pragmatism, i.e., a configuration of values close to those that developed in America. The basic claim is simply that the Viking culture still dominates in many respects the modern Iceland of today, and in particular as regards religious life, drinking habits and sexual behaviour, and even to some extent the general world-views of Icelanders.

Tomasson's study of the Icelandic society has been criticized heavily by Icelandic historians and social scientists.⁵ Tomasson is, among other things, accused of being both selective and uncritical in his use of historical sources as he tries to demonstrate the continuity of the cultural traits mentioned above and make up a specific picture of modern Iceland. Among Tomasson's main sources are the sagas and accounts by foreign travellers, whose reliability evidently must be seriously questioned or, at least, cannot be accepted without

some reservations, even though they are in many cases the only data available. Most of the sagas were written in the thirteenth and fourteenth centuries, which was up to three or four centuries after the actual historical events took place. That period was characterized by social disintegration and disruption as well as family feuds and general social unrest. The sagas might therefore partly be written in order to legitimate certain interpretations of the historical events.⁶ The travel reports written by European visitors to Iceland from about 1500 to 1850 must on the other hand be treated as rather one-sided and limited sources. The picture which they paint of Iceland as a country characterized by social equality contradicts in many respects much evidence indicating that most of the inhabitants lived within a decisively unequal society. The absence of an indigenous feudal class and conditions to cultivate a specific upper class life which, as privileged Europeans, they knew from the continent, might have been interpreted by them as evidence of material equality or poverty.⁷

The way in which Tomasson uses empirical material seems to be strongly related to preconceived ideas about modern Iceland. This can be demonstrated by two examples. The first concerns the high rate of illegitimacy in Iceland compared with the other Nordic countries (except Sweden). Tomasson's claim is that the premarital sexual permissiveness that characterizes modern Iceland, combined with high levels of illegitimacy and a pervasive tolerance of it, has prevailed all through Icelandic history.⁸ Some Icelandic sociologists argue on the other hand that high levels of illegitimacy would better be explained by social, economic and demographic factors.⁹ One of the arguments is that the "reproduction-pattern" in Iceland is somehow different from other countries in such a way that young couples frequently have their first child before they get married. That child therefore becomes part of the illegitimate statistics, at least temporarily.

The second example is Tomasson's study of the drinking habits of Icelanders. On the basis of his own field observation from Iceland's Day of Independence (June 17), a certain television documentary, conversations with Icelanders, and two attitude studies, Tomasson implies that the drinking behaviour of Icelanders is a serious "social problem".¹⁰ The patterns of drinking are suggested as still being similar to those which travellers observed in Iceland during the past centuries. He even goes as far as to indicate the similarity between the patterns of alcohol use among Icelanders and the patterns among American Indians. But known facts, for instance statistics, are absent in Tomasson's analysis and it is from these known facts that we can learn, however, that the alcohol consumption in Iceland is the lowest in the Nordic countries.¹¹ Thus, it appears that Tomasson uses statistics only when they support his thesis, but when they do not he totally ignores them.

The continuity thesis with its emphasis on the persistence of certain cultural traits all through Icelandic history does not appear to contribute much to the understanding of the structural changes that have taken place during the past centuries. Without refusing altogether to consider the possibility that some particular attitudes may persist for a long time and shape the social structure to some extent, we think that one must be critical of all attempts to give such values a primary role in explaining societal development. And it seems particularly absurd to claim that Iceland gave birth to similar values in the tenth century as United States did centuries later, and that these values have prevailed to become active social forces in the twentieth century. The inevitable conclusion of this discussion is therefore that Tomasson's inability to explain the structural transformation of Icelandic society, together with his very uncritical and selective use of historical sources and empirical material, supports the view that his work is of a restricted value for explaining the development of Icelandic society.

3.3 The Myth of Social Equality

The assertion that "there are probably few nations in the world where the beliefs in the equality of the individual, and the equality of opportunity, are as strongly held as in Iceland", is the starting point of an article written by Thorbjörn Broddason and Keith Webb (1975).¹² As evidence for the actual existence of this view they refer to a study by Dóra S. Bjarnason on subjective perceptions of social stratification and change in urban Iceland in the early 1970s.¹³ The main purpose of their article was, however, to investigate the factual basis for this popular belief or myth of social equality in the Icelandic society. By using data and occupational prestige classifications from a longitudinal study of access to elite professions and a survey of children's television habits in Iceland, the authors claim that this view is largely unfounded and would better be explained as a lack of consciousness of inequality.¹⁴

Broddason and Webb say that factors like kinship network, social mobility, language, status ambiguity, affluence, and increasing occupational differentiation have hindered the development of perceptions of social divisions and given people the impression of social equality. To summarize two of the major explanations offered by Broddason and Webb for the strongly held belief of equality in Iceland, the kinship network, in their view, has contributed to the persistence of this belief of equality by cutting across status groups. In that way it has served to reduce consciousness of division by providing an overlap-

ping group. Social mobility, on the other hand, due to very rapid economic development, has been misinterpreted as equality of opportunity since such upward mobility occurs only when there are opportunities for economic and prestige advancement that cannot be filled or replenished at a sufficient rate by the upper prestige groups.

It is further argued that social divisions in Iceland are clearly different from those which exist in the other Western European countries, but the prevailing cleavages are not expected to change much in the near future. Iceland is, in other words, viewed as a country somewhere between an egalitarian or traditional society and a modern society characterized by a high degree of social inequality. As Broddason and Webb put it:

. . . "Iceland is not a 'class society' in the full sense of the term, and as it applies to many modern societies, neither may it be equated with a Rousseauian paradise of equality."¹⁵

Nevertheless, by the end of the article it is assumed that further developments of the basic economic and political conditions can only accelerate the growth of popular perceptions of social divisions, and that more class-orientated social perspectives will emerge. And, as Iceland moves steadily from a *Gemeinschaft* society towards a *Gesellschaft* society, factors like the kinship network are expected to become less important in inhibiting consciousness of inequality. In short, contemporary trends clearly indicate that Iceland is gradually becoming increasingly similar to other Western countries.

One objection to the article by Broddason and Webb is that their basic premise, the existence of a belief or myth of social equality, is not empirically tested by themselves. Instead, they take as given the conclusion of the study by Bjarnason that beliefs in equality are dominant among the general population and the educational elite as well. But as recently demonstrated, the empirical material on which this is based was very limited and there is also an obvious bias in the composition of the sample used in that study. It seems therefore that the assertion about the prevalence of the belief in equality in Iceland cannot be taken for granted without further investigation of the subject matter.

Another problem is the apparent lack of conceptual stringency, especially as regards concepts like class and status. Given the premise that Iceland is clearly different from other Western European countries, i.e., being some kind of a semi-traditional country, Broddason and Webb reject the use of the term "class" in the Icelandic context and prefer to talk in terms of "status groups". The reasons stated are that the term "class" has frequently the denotation of a market position as well as the connotation of some degree of subjective consciousness. Further, that the term "status group" refers to occupational prestige rankings which is a form of stratification in Iceland that

is both intergenerational and to some extent institutionalized. Contrary to this standpoint, however, the discussion of the explanations for the persistence of the myth of social equality and predictions about future developments are all characterized by the emphasis on the emerging class features of Icelandic society. Due to such intermingling of class and status criteria one is never sure whether Broddason and Webb in practice identify class with status positions or take class and status as concepts referring to two distinctive phenomena.

3.4 Modernization

In his doctoral dissertation on Modernization and Social Stratification in Iceland (1982), Stefán Ólafsson argues that the medieval or pre-modern society in Iceland had a social structure which was different from that of traditional European societies, especially as regards the immature form of feudalism that emerged in Iceland and prevailed until the development of capitalism. One consequence of this is that Icelandic society has developed a weak form of status stratification. Thus, Iceland is believed to share this kind of origin and developmental traits with societies like the other Nordic countries, and with the so-called latter day "new" societies, such as the United States, Canada and Australia. However, what Ólafsson refers to as the process of "modernization" started later in Iceland than in most of these countries.¹⁷

The main goal of Ólafsson's study was to examine and empirically test some views or myths of Icelandic society. These myths are predominantly variants of two basic themes. Firstly, the idea that the Icelandic social structure is fundamentally unique. Secondly, the belief that the contemporary society is exceptionally egalitarian in many respects. On the basis of his findings the themes considered are seriously questioned or discarded. Contemporary Iceland is found to have modernized to a very high level, sharing most of the basic structural features of advanced capitalist societies and to have an inequality structure with familiar characteristics.

The basic characteristics of the Icelandic society are summarized as follows by Ólafsson:

"The industrial structure of Icelandic society has taken on all the familiar patterns of highly industrialized economies."¹⁸

"... , we have accepted the hypothesis that contemporary Iceland is properly described as a member of modern industrial societies."¹⁹

"As regards all these features, Iceland is best described as a typically modern society of the industrial-capitalist kind."²⁰

"The conclusion which we would want to draw from the comparative perspective

which we have been able to maintain is that Iceland clearly belongs to the family of Western industrial capitalist societies—that there is a clear family resemblance as regards fundamental social structures, while some unique derived and cultural features are accepted as possibilities in all such societies.”²¹

Put differently, Iceland should not be regarded as an “underdeveloped”, “developing” or “Third World” country. Neither should it be characterized by distasteful terms like “backward” nation.

Ólafsson’s study of modernization and social stratification in Iceland suffers particularly from not specifying clearly the distinctive features of different types of societies. What were the basic characteristics of the traditional society in Iceland? If there is to be found a certain prototype of modern capitalist society, how is it best described? What kinds of social, economic and political relations exist between countries in the world community. All serious discussion of such questions is avoided, most likely due to the fact that the Icelandic society itself is for Ólafsson the sole unit of analysis. The emphasis is on “family resemblance” between Iceland and the leading capitalist countries of the world today rather than on the historically specific characteristics of contemporary Icelandic society. Consequently, Ólafsson fails to comprehend the necessity of studying the Icelandic society as a part of interrelated social systems on a world scale, where societies are different from one another.

A similar problem arises concerning Ólafsson’s conception of the process of modernization. Although factors such as certain population developments, development of an increasingly democratic political system, emergence of interest-based organizations and parties, and so on, are mentioned as concomitants of basic modernizing developments, even a careful reader of Ólafsson’s study gets merely general and often diffused ideas about the nature and the specific characteristics of modernization. There is, for instance, no discussion about possible forces behind the process of modernization. The only conclusion to be drawn is that all countries, sooner or later, are expected to follow similar routes of development, i.e., from a traditional order to modernity.

3.5 The Power Structure

Professor Ólafur R. Grímsson has, in his doctoral dissertation on Political Power in Iceland Prior to the Period of Class Politics (1970), and in several other publications, made an effort to elaborate a comprehensive theory of the political development from the beginning of the nineteenth century as well as

providing some predictions about future trends.²² Grímsson has concentrated specifically on the development of the power structure employing theories of elitism and pluralism as the basic theoretical framework. The conception of the elite as an integrated group that attains, exercises and controls political power in all sectors of the society, including the economic and cultural spheres, is contrasted by him with the pluralist view of the power structure, according to which the political system is characterized by multiple centres of power.

Among the main but still tentative conclusions of Grímsson's research activity is that the power structure can almost to the present day be described as elitist. Only in the second and third decades of this century are pluralist traits said to have emerged. That was when the content of Icelandic politics changed from being concentrated on the struggle for independence to conflicts between social classes. Grímsson maintains also that there are strong indications that a "full-scale pluralism"—what Robert Dahl would call "elite pluralism"—may be expected to develop during the remainder of this century. Instead of the traditional centre of sovereign power, it is argued that there are evolving many centres of power, none of which is or can be wholly sovereign.

The theories of elitism and pluralism were subject to substantial criticism around 1970, which in most respects can be applied to Grímsson's predictions about future developments of the Icelandic power structure. As concerns the pluralist view of society, many critics on the basis of statistical material claim that instead of the supposed advance of democratic egalitarianism, particularly since the end of the Second World War, there continue to be very large differences of income in advanced capitalist countries, and what is more striking, an incredible inequality of property. Ralf Miliband (1969), for instance, summarizes these features of advanced capitalist countries in the following way:

"In short, these are countries where, notwithstanding all levelling proclamations, there continues to exist a relatively small class of people who own large amounts of property in one form or other, and who also receive large incomes, generally derived wholly or in part from their ownership or control of that property."²³

Anthony Giddens provides somehow a different and more constructive picture of these differences of income and property. His basic argument is that there have for the most part been only marginal changes in the relative differentials of income and wealth in capitalist societies since the latter part of the nineteenth century. Regarding income specifically, there appears to be not only a stable disparity between the economic returns taken by wage-labour and capital in general, but also between the working class and the middle class. The increase in real income has thus not affected the relative differentials but simply moved all classes upwards. On the other hand, the apparent

fixity in the distribution of wealth or property is explained primarily in terms of the decline in property ownership for economic control, as the typical nineteenth century firm is being displaced by new kinds of economic activities or forms, i.e., such as joint-stock companies. In that way, a new economic form has taken the place of a former one rather than the distribution of property in general has changed as such.²⁴

The analyses of the societal trends and the class structure in Iceland carried out in the following chapters indicates likewise that Grímsson's predictions of future developments are based on very weak grounds. The consolidation processes of capital, i.e., concentration and centralization, show clearly the tendency of capital units to increase in size and even the tendency of small units to come increasingly under the control of larger entities. It seems therefore against all odds to expect that a "full-scale pluralism" will develop during the remainder of this century. We should rather assume changes in the direction of more concentration of economic and political power.

3.6 Conflict and Consensus

In his doctoral dissertation and in other publications based on material from that study, Svanur Kristjánsson deals with conflict and consensus in Icelandic politics from 1916 to 1944.²⁵ In his thesis a psychological perspective is contrasted with a structural approach,²⁶ the former emphasizing the importance or psychological characteristics of individuals, while for the latter the most important variables are structure and historical circumstances. Kristjánsson comes to the conclusion that the structural perspective provides a more constructive understanding of the societal context of politics than the psychological approach. Within that framework he proposes six hypotheses about Icelandic politics and society in the 1916-44 period concerning things such as the party system, class voting, class identification, polarization, education and voting turnout, and the recruitment of political leaders. The attention is largely directed at the labour unions and the socialist parties since they clearly represented at that time new kinds of political demands, which were conditioned by the industrial revolution in Iceland and the changes from a rural agricultural society to an urban one with a diversified economy.

Two aspects of Kristjánsson's description of the societal development in Iceland are of a special interest in this context. Firstly, the hypothesis that capitalist development in Iceland not only started later in Iceland than in the neighbouring countries but that it should also be regarded as unique. His main point, to be more specific, is that capital which had been accumulated in Den-

mark, Norway and England around the turn of the last century was partly invested in Iceland and in that way started the capitalist development. The trawling industry, for instance, was originally established by foreign capital and several other branches were stimulated by foreign investment. In other words, it is argued that major investments in the early stages of the modern capitalist era in Iceland were not based on capital which had been accumulated in the country itself but in other countries.²⁷ Secondly, it is argued that the state in Iceland, in contrast to many other countries, might have been more independent or less tied to particular social classes due to the duality of the social class system and uneven developments of urban and rural areas. In Kristjánsson's own words:

"The 1916-44 period represented a transition period from a traditional society to a modern industrialized one. In urban areas a class structure of capitalists, a middle class and manual workers evolved, while rural areas were inhabited by one social class of farmers. Thus, a single class system did not develop. Two lines of cleavages manifested themselves; the social class cleavage and cleavage between urban and rural areas, which was partly rooted in different modes of production. In the absence of a unified class system, the state is less likely to be controlled by any single class and gains a greater autonomy than in the case of a single class system."²⁸

Kristjánsson's work must in many respects be regarded as an interesting contribution to the understanding of some important aspects of the societal development in Iceland. However, his class model, which forms the main basis of the analysis, is open to certain objections first and foremost because the economically active population was divided into classes on the basis of occupational categories in the census reports. This contradicts the view that census data and other official records will simply not do by themselves and no simple collapsing of occupational titles can generate an operationalization of classes in a rigorous manner. And, as pointed out in Chapters 5 and 6, occupational titles refer to positions within the *technical* division of labour rather than *social* division of labour. Therefore, that kind of data without further elaboration does not seem to be directly suited for the purpose of class analysis.

3.7 Conclusion

In this chapter we have given an overview as well as an assessment of what, we think, are so far the most important sociological and political studies of the societal development in Iceland. The focus has mainly been on those aspects of these works which are closely related to the central themes of our

study. Many products which are not considered relevant are therefore omitted, such as various essays by university teachers and students and all social anthropological studies of the Icelandic society.

If we look specifically at how each study can be located within the theoretical frameworks presented in Chapter 2, it becomes evident that almost all of the studies referred to are based on the main premises of the modernism theory. The basic idea being that all societies must pass through certain definite stages in a passage from a simple to a more modern order, which is frequently designated as modernity. One exception is Tomasson's exploration of the development of Icelandic society with his emphasis on the persistence of certain values all through the centuries from the early period of Icelandic settlement. That study can not be located within the social frames outlined in the preceding chapter. Instead, it should be taken as an example of a conservative ideology which serves to obfuscate rather than to clarify the nature of societal development.

Broddason and Webb regard societal development as a change from a *Gemeinschaft* society towards a *Gesellschaft* society. According to Ólafsson, Iceland is believed to share the same kind of origin and developmental traits as the other Nordic countries and the so-called latter-day "new" societies like the United States, Canada and Australia. But the process of modernization is meant to have started later in Iceland than in most of these countries. Grímsson maintains that there are strong indications that a "full-scale pluralism" may be expected to develop during the remainder of this century. Thus multiple centres of power are evolving, while none of them is or can be wholly sovereign. Kristjánsson's main focus is on the changes accompanied by the transformation of the rural agricultural society into a predominantly urban society with a diversified economy. In some respects, however, Kristjánsson's perspective is closely related to Marxist standpoints.

Taken as a group, the Icelandic modernists have both diffused and fragmented ideas about what social features are characteristic for the process of modernization. From their work, however, we can assume that this process in general includes factors such as certain population developments, decentralization of power, emergence of interest-based organizations and political parties, institutionalization of class relationships and even relatively high national income. Further, the emphasis is on general modernizing trends rather than what is historically specific in each case.

4.0 Societal Trends

4.1 Introduction

The main conclusion of our theoretical discussion in Chapter 2 was that the world system perspective, including some monopolistic aspects, should be regarded as a more fruitful scheme for the study of societal development, and in particular of capitalist development, than the rigid developmentalist views of modernization and monopoly capitalism. Accordingly, the starting point for our analysis of the capitalist development in Iceland is that we live in a capitalist world economy, one that emerged as an European world economy in the sixteenth century and came to include the whole world in the nineteenth century. It follows from such a premise that the national states are not viewed as entities that have separate, parallel histories, but as parts of a whole reflecting that whole. In fact, divergent historical patterns are to be expected since the world economy is composed of different sectors performing different functions; i.e., core, semiperipheral, and peripheral sectors.

In this chapter the focus is specifically on the developmental trends and basic characteristics of the Icelandic economy. In the first place an attempt is made to situate Iceland in the world economy defined as a tri-modal system including core, semiperipheral, and peripheral states. The analysis is conducted within a framework, suggested by Wallerstein (1979), where the criteria used are profit rate, technological stage, wage level, and diversity in production.¹ By doing that we not only hope to get a better understanding of the internal socio-economic profile, and hence the distinctive politics of Iceland, but also to provide the basis for a more constructive analysis of the internal class contradictions.

Secondly, we mark out the patterns of those features which have been identified as characteristic for the general advance of capitalist development, examples being consolidation processes of capital, incorporation of science into the production process, development of scientific management, changes in the composition of the class structure, and growth of state activities. Other features such as growth of unions, emergence and development of political parties as well as further analysis of the class structure are dealt with in later chapters.

4.2 Iceland's Location in the World Economy

According to our model, the capitalist world-economy comprises core, semiperipheral, and peripheral sectors. The core countries are characterized by high-profit, high-technology, high-wage, and diversified production, while low-profit, low-technology, low-wage, and less diversified production are concentrated in the peripheral countries. A series of countries and zones fall in between in the way that they share in different combinations some characteristics with the core and others with the periphery. These are the semiperipheral countries and they are evidently not a unique group. Concerning profit rate, technology, and wage level, Iceland has somehow greater resemblance to the core countries than the peripheral countries, but in terms of diversity in production we find the opposite. Thus, we claim on the basis of these premises and the following analysis that Iceland should be regarded as one kind of a semiperipheral country.

Profit Rate

Statistical figures of profits for firms, different categories of firms, branches of industry, and even whole industries are presented in various forms in the statistical and economic literature. The rate of profit, for instance, is frequently either measured as the net income divided by total firm assets after taxes or as the percentage of total GDP. In the only available statistics in Iceland it is, however, measured in terms of the gross and net profit before taxes divided by the gross turnover. But these sources, which are the so-called industry reports published by the National Economic Institute, provide only information about whole industries and branches of industry, and none at all on different categories of enterprises.

Table 4.1 displays the average profit rates before taxes measured as the proportion between the gross profit and the total income in the fishing industry, the fish processing industry, the manufacturing industry, and in wholesale and retail trade between 1969 and 1976. In the fishing industry we observe that the rate of profit fell from 9.9 per cent in 1970 to -0.7 per cent in 1975, while the profit rate in the fish processing industry varied considerably from one year to another. In 1973, for instance, it was up to 12.4 percent but the very next year down to 2.7 per cent. In the manufacturing industry and in the wholesale and retail trade the profit rates were almost constant during this period, i.e., 6-7 per cent and 3-4 per cent, respectively. Furthermore, there existed significant differences in profit rates between branches within most industries. In 1975, for instance, the profit rates within the fish processing industry rose from 2.8 per cent up to 10.1 per cent and within the retail trade from -2.6 per cent up to 15.5 per cent.

Table 4.1. Profit rates in four industries, 1969—1976.¹ In percentages.

Year	1969	1970	1971	1972	1973	1974	1975	1976
<i>Industries:</i>								
A. Fishing	7.5	9.9	7.5	5.4	5.3	2.8	-0.7	...
B. Fish processing	11.3	9.5	6.9	6.7	12.4	2.7	5.9	...
C. Manufacturing	6.7	6.9	6.5	6.1	6.8	6.8	6.5	6.6
D. Wholesale and retail trade	...	...	4.0	3.4	3.8	2.9	3.1	...

¹ Note that the profit rate is defined as the gross profit before taxes divided by the total income.

Sources: Industry Reports No. 13, 14 and 19. The National Economic Institute, Reykjavik 1977 & 1978.

All comparison between profit rates in Iceland and other countries is a very difficult task, not only because such figures originate from various sources and are arrived at by different methods, but also because one must attempt to evaluate the effects of inventories due to price level changes and other factors. During the seventies the average rate of inflation in Iceland was for instance between 40 and 60 per cent for most years. Despite such obstacles a rough comparison indicates that profit rates are generally lower in Iceland than in core capitalist countries like the United States. In that country in 1972, a year of fair expansion, corporate profits after taxes were not quite 5 per cent; before taxes, less than 10 per cent of the total GDP.² For the period 1958-1971 the average profit rates for core firms and non-core firms, measured as the net income divided by total firm assets after taxes, were estimated to be 10.8 per cent and 7.8-8.8 per cent, respectively.³ In addition, recent statistics give evidence of a continuous fall in profit rates in most industries in six OECD countries during the seventies.⁴ No available data indicate that the relative differentials between Iceland and these countries have changed much in recent years because, as Table 4.1 shows, the profit rates in Iceland's basic industries such as the fishing industry have fallen too. The returns are diminishing in terms of quantity caught related to the capital invested in fishing vessels and gear.

Technological Stage

During this century and particularly in the period from and including the Second World War many of the preconditions needed for modern high technological production have improved rapidly in Iceland. Such conditions concern the health and education of the labour force, technical competence, managerial expertise, organizational ability, research, freight costs and infrastructure. Heavy investments have been made in modern technology, in-

dustrial plant and equipment. Most industries are, however, far from having reached their full potential as regards international competitiveness and productivity. The fishing industry, the agricultural processing industry, and the energy production industry are practically the only high technology industries. Other industries are primarily characterized by the large number of very small enterprises frequently using labour intensive but low productivity technology. Consequently, the use of rationalization measures has not been as extensive as in the core capitalist countries. But recent developments in the fields of management and production clearly indicate that such measures may have considerable influences on the development of the economy in near future.

Information on research and experimental development activities (R & D) are among the few available indicators of the technological stage of one country compared with others, i.e., in the context of criteria like high-low technology, where technology means systematic knowledge for the production of a product.⁵ The statistics presented in the Yearbook of Nordic Statistics show that the total expenditure to R & D activities in relationship to GDP is lower in Iceland than in the other Nordic countries. In 1979 this ratio was 1.88 per cent for Sweden, 1.38 per cent for Norway, 1.08 per cent for Finland, 0.98 per cent for Denmark, and 0.76 per cent for Iceland. In Table 4.2 we see that this proportion increased considerably in Sweden, Norway, and Iceland during the seventies, while it remained almost the same in Denmark and rose only slightly in Finland. Thus, on the basis of these figures and further statistics from the OECD,⁶ we can definitely conclude that Iceland has still not reached comparable levels with either the other Nordic countries or the typical core capitalist countries in terms of technical advancements.

Wage Level

According to information on gross domestic product (GDP) per capita and six major indicators of living standards as measured in the economic surveys

Table 4.2. Total expenditure on research and experimental development activities in relationship to GDP in the Nordic countries, 1971—1979.

Year	Denmark %	Finland %	Iceland %	Norway %	Sweden %
1971	0.97	0.89	0.48	0.98	1.47
1973	0.97	0.90	0.51	1.25	1.59
1975	1.03	0.94	0.96	1.26	1.71
1977	0.99	1.02	0.71	1.42	1.85
1979	0.97	1.08	0.76	1.38	1.88

Source: Yearbook of Nordic Statistics 1981. The Nordic Council and the Nordic Statistical Secretariat, Stockholm 1982; p. 308.

by the OECD, Iceland has ranked during most of the postwar period among those countries which enjoy the highest standards of living in the world.⁷ Only six countries in the OECD region had higher GDP per capita in 1980, for instance. But similar ranking on the basis of GDP per capita does not necessarily mean that the average level of wages is exactly the same in any two countries. Differences in real income can be considerable due to factors like cost of living, work load, and level of taxation. The earnings differential within each country is likewise very important in all such comparisons.

As regards Iceland, the general cost of living is somewhat higher than in neighbouring countries, primarily because of the cost of importing a large part of all resources used and the relatively steep import duties on products which neither fall under the EFTA agreement nor the special treaties with the EEC. The work load is extremely high as figures from labour statistics indicate. The average work week for most of the working classes is well over 50 hours.⁸ The level of taxation is, however, generally lower than in the other Nordic countries, mostly due to the absence of defence expenditure and the fact that the growth of the state has not been as extensive as in these countries.⁹ Lastly, the personal distribution of incomes in Iceland has been estimated on a level with those differentials which exist in the other Scandinavian societies.¹⁰ On the basis of all these factors we come to the conclusion that Iceland does not rank as high in terms of wage level as in GDP per capita. In other words, the average Icelandic worker cannot buy an equal amount of products for one hour's work as his colleagues in many OECD countries. Still, the overexpansion in the Icelandic economy and labour shortages in the postwar period have made it possible for Icelanders to enjoy relatively higher standards of living than people in general in some core capitalist countries.

Diversity in Production

Like in many peripheral countries one kind of product makes up the largest share of the total export of Iceland. Thus marine products constituted between 75 and 80 per cent of the total value of exports in the seventies. The proportion of these products has nevertheless decreased considerably from what it was in earlier decades because the share of manufacturing is increasing.

Table 4.3 displays clearly the developmental trends in the composition of merchandise exports since 1967. There we see that the content of aluminium stands for the major changes.

The organization and diversity in industrial production differs, however, in some respects from the patterns frequently observed in peripheral countries. In the first place, one of the main differences between Iceland and many peripheral countries is that the whole production process in the basic industries,

Table 4.3. Percentage breakdown of merchandise exports of Iceland, 1967—1980.

	1967	1970	1975	1980
Marine products	90.0	78.3	78.7	74.9
Manufacturing	1.6	17.3	17.0	21.7
— of which: Aluminium	(—)	(13.2)	(10.6)	(12.2)
Agriculture	6.0	3.3	2.9	1.7
Other	2.4	1.1	1.4	1.7

Source: OECD Economic Surveys: Iceland 1981—1982. OECD, Paris 1982; p. 36.

i.e., the fishing industry and the fish processing industry, is almost entirely in the hands of domestic companies, or to be more exact the producers' sales organizations; but neither owned nor controlled by foreign and transnational companies. In addition, two of the biggest sales organizations—S.H. and S.Í.S.—have subsidiaries in the United States for the final processing and distribution of frozen fish products. There they are in some kind of a shared monopoly or dominating position in many federal states. Given that premise some authors argue there is very little difference between these companies and typical transnational companies, which are primarily oriented to the realisation of profit and taking it wherever the conditions are most favourable. In this case in the United States.¹¹

Secondly, the production activities are much more diversified in Iceland than in most peripheral countries. In the postwar period new industries have emerged and there has been considerable expansion in many older industries and branches of industry which produce primarily for the domestic market. But even though competition with imported products has increased since the beginning of the seventies, many industries are still tariff-protected and sheltered from competition by remoteness from foreign producers. These conditions are, however, rapidly changing and it is evident that many traditional industries producing for the domestic market cannot survive in the future unless they increase their competitiveness and productivity. The export industries must also concentrate more on providing final products rather than raw materials and semi-finished products. Otherwise we will probably see further changes in the direction of neo-colonialism during the remainder of this century, where Iceland, like the peripheral countries, has the prime role in the capitalist world-economy to provide cheap energy and labour as well as supplying the core capitalist countries with raw materials and primary products.

4.3 Aspects of Capitalist Development

Consolidation Processes of Capital

One of the basic features of capitalist development is the tendency towards concentration and centralization of capital. During this century such consolidation processes have been observed in most capitalist countries by the transition from predominantly competitive to shared-monopoly industries, and the centralization of the financial system. In this section, we will see, however, that Iceland has followed somewhat different paths of development than the core capitalist countries of Western Europe.

In spite of the fact that most industries are still markedly characterized by the large number of small firms and petty commodity producers, it is evident that the general trend has been towards concentration of capital. Large firms, i.e., those employing more than 100 employees, have, however, almost only arisen in the fishing industry, the fish processing industry, the agricultural processing industry, the transport industry, the oil purchasing branch, the state sector, and in the new export-oriented industries such as the aluminium reduction industry.¹² In some of these industries there are also apparent signs of growing domination of monopoly companies and firms in some kind of shared monopoly positions.

Tables 4.4 and 4.5 display to some extent the general trend towards concentration of industry capital. Table 4.4 shows that, proportionally, the size distribution of firms in the manufacturing industry (not including the fish processing industry) and the building industry did not change much between 1970 and 1980. For instance, firms employing less than 5 employees were 72 per cent of the total number in these industries in 1970 and 74 per cent in 1980. But the main change was that the number of firms having more than 40 employees increased from 50 to 84 during the seventies. In Table 4.5 we see that in 1975, 47 per cent of all firms in the fish processing industry had less than 5 employees. Larger firms were likewise more common in that industry than in the manufacturing and building industries.

If we look closer at the changes which have recently taken place in the Icelandic economy, two important developmental trends can be singled out. First, in addition to the traditional export industries three new branches of industry have emerged since the late 1960s. These are the diatomite industry, the aluminium reduction industry, and the ferro-alloys reduction industry. The companies in these branches are either owned or controlled by transnational firms. Their location in Iceland is no doubt due to the general progress in the fields of transport, organization and planning, the cheap and almost inexhaustible reservoir of energy (hydro and geothermal power reserves), and relatively cheap labour, at least compared with neighbouring countries. Sec-

Table 4.4. Size distribution of firms in the manufacturing industry and the building industry, 1970—1980.¹

Man-years	1970		1980	
	Number of firms	%	Number of firms	%
0.0— 4.9	1444	72	2046	74
5.0— 9.9	269	13	331	12
10.0—19.9	152	8	200	7
20.0—29.9	71	4	74	3
30.0—39.9	29	1	32	1
40.0—59.9	24	1	44	2
60.0 and more	26	1	40	1
Total	2015	100	2767	100

¹ Excludes the fish processing industry.

Source: Hagtölur iðnaðarins 1983. Félag íslenskra iðnrekenda, Reykjavík 1983.

(Manufacturing statistics 1983. The Association of Icelandic Manufacturers, Reykjavík 1983.)

Table 4.5. Size distribution of firms in the fish processing industry 1975.

Man-years	Number of firms	%
0.0— 4.9	175	47
5.0— 9.9	52	14
10.0—19.9	44	12
20.0—29.9	24	7
30.0—39.9	11	3
40.0—59.9	21	6
60.0 and more	42	11
Total	369	100

Source: Sjávarauðvegur (The fishing industry) 1972—1977. Atvinnuvegaskýrslur Nr. 13 (Industry Report No. 13). Þjóðhagsstofnun (The National Economic Institute), Reykjavík 1977.

ond, there are clear signs of a further division of labour among companies in those branches of industry which produce primarily for the domestic market. Many firms cooperate and specialize in producing parts of some products or buy the other parts for processing the final product from other firms, both domestic and foreign ones. The development of such a vertical division of labour became clearly apparent after Iceland joined EFTA in the beginning of the 1970s. That membership and special commercial treaties with the EEC opened new markets for Icelandic products as well as creating a situation of increased competition with foreign companies and their agents in the domestic

market. It has, therefore, become necessary for firms in many branches to specialize in production and cooperate with other firms in order to survive under changing circumstances. Those kinds of measures have not, however, always paid off since in recent years there are to be found examples of firms which have been knocked out by imports. Thus, it is evident that these new conditions meant further adaptation and integration of the Icelandic economy into the world-wide capitalist system.

In 1980 the Icelandic financial system included a banking system with a central bank, 7 commercial banks (3 owned by the state), and about 40 savings banks; a system of 16 public investment credit funds as well as several other public funds, and an insurance system comprising 19 private insurance companies, more than 90 pension funds, and a comprehensive system of social insurance.¹³ These institutions are owned by nationals with a significant degree of government involvement, especially in commercial banking and investment credit. They are organized in a similar way to their counterparts in other European countries except that they tend to be smaller and do not have the benefit of an organized market for money and credit, since such a market exists only in a very immature form in Iceland. Therefore, credit is largely either channeled through financial institutions or extended direct. The position of the Central Bank (established as late as 1961) in the financial system has up to now been comparatively weak and most of these institutions have operated on a fairly independent basis without being subject to much control or constraints by the central authorities. In other words, the financial system can, until recently, be characterized as fragmented, diffuse and without much internal coordination, and it has not strikingly been dominated by a limited number of agencies able to regulate the market.

Contrary to the trend observed in many countries, the Icelandic financial system has in the twentieth century developed from a relatively centralized system to a predominately competitive one. During the first half of this century 2-3 commercial banks (2 of them wholly state-owned) and several investment credit funds carried out all major functions of the financial system. Savings banks were also of great importance, especially in the rural areas. Since the 1950s financial institutions have increased both in number and in diversity. Four private commercial banks have been established, three of them having started some years earlier as savings banks. The number of public investment credit funds, private insurance companies and pension funds has increased considerably, while the number of savings banks has decreased by about one-third since the late 1950s. Even though some new savings banks have been established, the tendency has been to amalgamate the older ones with the commercial banks, of which they have frequently become local branches.

In the first half of the 1980s the expansion of the financial system which has characterized the postwar period seemed to have slowed down. Recent developments likewise indicate that the financial system may become more integrated and centralized in the near future. A few characteristic aspects of the current development are that a comprehensive investment and credit plan is now legislated for each fiscal year, the Central Bank tries to regulate the total amount of loans provided by the commercial banks, bills for reorganizing the pension system have been introduced, and financial reconstruction of the public investment credit funds is felt needed. Therefore, a continuous process of centralization of capital is likely to be expected during the remainder of this century.

Incorporation of Science

Incorporation of science into the production process, or the so-called scientific-technical revolution, began in the now most advanced capitalist countries such as the United States in the last quarter of the nineteenth century, and the claim is that it is still going on. What simply happened was that in place of spontaneous innovations indirectly evoked by the social processes of production, which characterized the period from the beginning of the so-called Industrial revolution, came planned progress of technology and product design. Science became gradually incorporated into the capitalist mode of production from being somehow external to the economy, and started systematically to lead the way for industry. In short, science itself has been transformed into capital.¹⁴

The effects of the scientific-technical revolution were not obvious in Iceland until during the 1930s and 1940s, and general scientific and technical knowledge was actually not commonly utilized in many industries before the 1960s and 1970s. This is strongly supported by the fact that the organized professions as we know them today hardly existed in Iceland earlier than in the postwar period. Foremost, science has been incorporated into the fields of fisheries, agriculture and energy production. These relatively homogeneous sectors are now being transformed into highly productive industries. In the fish processing industry and in building research Iceland is about to reach this threshold, although funds spent on research and development are much less than in the primary sector. In the manufacturing industry and most other processing industries, however, the day of realization has yet to come. Most of these industries still have far to go before they reach a full level of international competitiveness and productivity. But new technologies are being developed and assimilated to convert the energy sources into manufacturing products mostly aimed for international markets.¹⁵ In order to speed up the general incorporation of science into the production process, the National Re-

search Council, which is a governmental institute, recently started to organize projects to upgrade the existing industries branch by branch by introducing management methods, and to organize design and product development as well as marketing concepts. In relation to that task the National Research Council published long-range plans for scientific and technical support to industry by government institutes.¹⁶

Scientific Management

As mentioned earlier, scientific management has been described by Harry Braverman as an attempt to apply the methods of science to the increasingly complex problems of labour in rapidly growing enterprises. He argues further that scientific management lacks the characteristics of a true science because it is only intended to be a science of the management of the work of others under capitalist conditions.¹⁷ Thus, the scientific-technical revolution and scientific management are seen as integral parts of the very same societal process, i.e., capitalist development.

In Iceland, as in other capitalist countries, the practice of scientific management coincided with the incorporation of scientific and technical knowledge into the production process. The Icelandic Management Association, which was founded in the early 1960s has, by its educational activities, played a leading role in introducing scientific management and integrating its methods into the process of production.

The first management consulting firms were established in the late 1960s. They have both increased in number and expanded their activities during the 1970s and the 1980s. As a result, the labour process has to some extent been divided between separate sites and separate bodies of workers where the physical processes of production are executed in one place while another place concentrates on design, planning and record-keeping. However, in recent years we have also noticed a tendency for these two parts of the labour process to integrate again in some way.

Development of the Class Structure

Capitalist development has not only restructured the social organization of the labour process but also changed the composition of the class structure. Two fundamental changes are considered by the theorists of monopoly capitalism and several class theorists as the most typical products of the advance of capitalism in this century. In the first place they consider the growth of clerical workers, operatives, sales workers and service workers. Together with the traditional working class categories of craftsmen, industry workers, and other non-farm workers they constitute the modern working class. Secondly, capitalist development has brought into being a further mass of

employment that does not answer so readily to the traditional definitions of the working class. These are categories of employment commonly referred to as "middle layers", "middle strata", "new petty bourgeoisie", "contradictory class locations", etc.

The only available data which can be used to estimate the distribution of classes in Icelandic society, as well as the changes in composition of the class structure described above, are found in official statistical material such as population censuses and various studies of the labour market. But that kind of data are not directly suited to the purpose of class analysis since they are gathered in occupational rather than class terms. Therefore, to present estimations of the distribution of social classes in Iceland one has either to conduct a special survey or to construct a conceptual class-scheme which suits the existing data.

Growth of the State

The state has always played a very important role in the capitalist development, both as the instrument of class domination and as the coordinating agency which is responsible for the overall administrative operation of the society. During the twentieth century this double role of the state has certainly increased quantitatively but there is, however, no evidence of a qualitative change in recent years. Although many social scientists claim that we have transcended paradigms such as capitalism, and replaced them with others like "mixed economies" and "post-industrial societies", the fundamental characteristics and contradictions of capitalism seem to remain the same. The main change with the advance of capitalism was simply that the role of the state has greatly expanded and is taking on a more complex and developed form.

State-provided services like education, health, and social services have expanded rapidly both in number and variety in the postwar period, and ownership by the state in production has also increased gradually, especially in the fishing industry. Despite that, the growth of social and economic intervention of the state in Iceland has not been as extensive as in most OECD countries.

During the period 1955-1976 the share of the public sector of the GDP increased on an average from 28 to 42 per cent in the OECD countries.¹⁸ We estimate on the basis of available sources that the share of the public sector in Iceland in 1980 did not exceed 35 per cent of the GDP.¹⁹ It should be noted in this context that Iceland has not a regular army and therefore no military expenses.

Table 4.7 shows that the share of the Treasury expenditures increased from 12.2 per cent of the GDP in 1950 to 28.5 per cent in 1980. The main expansion has been in the fields of health and social security, i.e., from 4.3 per cent in

Table 4.6. Treasury expenditures as percentages of GDP, 1950—1980.

	1950	1960	1970	1980
1. Health and social security	4.3	6.6	6.9	11.4
2. Education, culture, church			4.0	4.6
Total (1—2)	4.3	6.6	10.9	16.0
3. General expenditures	1.8	1.9	2.5	3.0
4. Industries and consumer subsidies	5.4	6.8	6.9	8.0
5. Other	0.7	0.6	1.5	1.5
Total (3—5)	7.9	9.3	10.9	12.5
Sum (1—5)	12.2	15.9	21.8	28.5

Sources: 1. Statistical Abstract of Iceland 1974. The Statistical Bureau of Iceland, Reykjavík 1976.

2. Economic Statistics of the Month, No. 94. The Central Bank of Iceland, Reykjavík Dec. 1981.

3. Birgir Björn Sigurjónsson: *Frjálshyggi*. Svart á hvítu, Reykjavík 1981.

1950 to 16.0 per cent in 1980. The proportion of other areas increased from 7.9 per cent in 1950 to 12.5 per cent in 1980. Furthermore, the central government and the local governments were employers of nearly 30 per cent of the economically active population in 1980. This is an increase from 12 per cent in 1960 and 6 per cent in 1940.²⁰ Comparable figures in other Nordic countries are much higher. In Sweden, for instance, public employees comprised 41 per cent of the total work force in 1980.²¹

4.4 Summary

In this chapter we have tried to describe the developmental trends and the basic characteristics of the Icelandic economy. An attempt has been made to situate Iceland in the world economy according to certain criteria and several trends of capitalism have been marked out. A rough comparison indicates that profit rates are generally lower in Iceland than in most core capitalist countries. In terms of technical advancement, Iceland has not reached a comparable level with the other Nordic countries and the typical core capitalist countries. Iceland does not rank as high with respect to wage level as in GDP per capita in the OECD region. One kind of product makes up the largest share of the total export. The concentration and centralization of capital has not matured to the same extent as in the core capitalist countries. The economy is still markedly characterized by the large number of small firms and petty commodity producers. The financial system has developed from a

relatively centralized system to a predominantly competitive one. Scientific and technical knowledge is gradually being incorporated into the production process. The practice of scientific management has coincided with the advance of the scientific-technical revolution. The composition of the class structure has changed considerably during this century. The growth of the state has not been as extensive as in most OECD countries.

5.0 Class Analysis

5.1 Introduction

The central theoretical problem with all concrete class analysis is that there is no general consensus on the meaning of the concept of class as such. It is simply used in various senses both in the context of overall theories on societal development and as a descriptive category. Class seems, in other words, to be a concept on which agreement is by its nature impossible. Given this premise we aim in this chapter to study the relations between various known class models and theories on societal development, the main purpose being to work out a class model which best fits in with our perspective on societal development in Iceland.

Debates on the class concept have mostly been practiced separately either within the Marxist tradition or between writers of various non-Marxist positions. In those instances where discussions between these opposite sides have actually taken place one observes a tendency to approach the subject matter from distinctly different premises, where besides, the criteria for adequacy of one definition over another frequently revolve around faithfulness to the texts by the founding fathers of the social science disciplines rather than the capacity to apply the concept to the study of concrete societies.

In 1980 Björn Söderfeldt put forward the view that the study of classes suffers from a serious flaw. On the one hand, there are macro level analyses, especially within the Marxist tradition, where the aim is to analyze society in its totality and characterize the actual conditions of class struggles, and, on the other, there are micro level analyses, particularly within the bourgeois tradition, based upon an enormous amount of empirical data as well as a multitude of different class typologies. According to Söderfeldt there is very little which unites the macro perspective with the empirical stringency of the micro perspective in studies of class.¹

In our view, the distinction between the basic characteristics of these opposite research traditions must be regarded as too simplistic. We need only to refer to Ralf Dahrendorf's *Class and Class Conflict in Industrial Society* (1959), Anthony Giddens's *The Class Structure of the Advanced Societies* (1973), and Frank Parkin's *Class Inequality & Political Order* (1973) and *Marxism and Class Theory: A Bourgeois Critique* (1979), to demonstrate that non-Marxist studies have in recent decades been as theoretical as works by

Marxists. But Söderfeldt is, no doubt, at least partly right as concerns the lack of empirical research within the Marxist tradition, where the emphasis has been on theoretical and logical aspects of macro perspectives rather than to unite such perspectives with micro studies. However, since the late 1970s we have witnessed serious attempts by some Marxists to conduct systematic research on the concept of class as such. These efforts are foremost associated with the name of Erik Olin Wright who has, in continuation of his study of the class structure in the United States, initiated a comparative research on the class structure in several countries.² As a result of that change, more fruitful conditions might be developing for meaningful discussions between proponents of these opposite currents of thought.

In the early postwar period, Marx's dichotomous model of classes, based only on the criteria of ownership of the means of production—as it appeared in *The Communist Manifesto*—was either rejected or seriously questioned by sociologists. Class was said to have become less important in explaining societal development and was generally viewed as one of many factors shaping the social structure of the advanced societies. But most importantly, Marx's model seemed neither able to explain the growth of white-collar occupations nor the mass of employment that did not answer so readily to the traditional Marxist definition of the working class. The reactions to these developments were different within the opposite research traditions. Non-Marxists or proponents of traditional sociology tended to replace Marx's model by models based on different criteria, while Marxists in recent years have made various efforts to elaborate Marx's model further and adapt it to the changed structure of capitalism.

5.2 Non-Marxist models

From the traditional sociological literature on the topic of class we have selected four models to discuss. These are approaches which we think are important for the study of class structures in contemporary capitalist societies. The first one views "class-as-status" and links each class to certain "status groups". The second model focuses on the occupational structure as the basis of class. After that follows the model which defines classes as conflict groups determined by their positions within authority or power structures. The fourth, which we claim is the most characteristic for the European class theory, is called the Weberian model proper.

5.2.1 Class as status

In the early 1930s W. Lloyd Warner started in the United States a series of studies of "Yankee City" which under his direction was to make the social anthropological analysis of class structure and behaviour a regular foundation in the United States. Warner and his collaborators sought specifically to apply the investigatory techniques of social anthropology to demonstrate the existence of a formalized class structure in typical American townships. The first volume in the series came in 1941 and was followed by many more publications during the 1940s.³ Warner's best known book is probably *Democracy on Jonesville* (1964), where he studied this Mid-Western town as a miniature version of the nation state. In Warner's own words: "To study Jonesville is to study America."⁴

In his surveys of local communities in New England and the Mid-Western part of United States, Warner defined class as:

"two or more orders of people who are believed to be, and are accordingly ranked by members of the community, in socially superior and inferior positions."⁵

Thus Warner's studies set up a synthetic graduation scheme yielding six major classes in American society. The six class or, more correctly, status groups formed a continuum from "upper-upper" to "lower-lower" and were meant to be only partially separated by area. And they did, according to Warner, appear to form reasonably stable groupings over time in the local community, with all the implications that fact has for the distribution of wealth and, consequently, for the distribution of power.

As various critics have pointed out, scaling up the results of local surveys to the national level, especially in the case of country as large as the United States, is methodologically invalid. This, together with the view that Warner's "class-as-status" model is applicable to the whole United States, introduces the maximum of uncertainty into the study of stratification. Hence, other community studies at that time gave widely differing impressions of the number of classes in the communities concerned. Robert S. and Helen M. Lynd discovered two classes in Middletown. James West four in Plainville, and August B. Bolingshead five in Elmtown.⁶

Warner seems to have believed that his study of status groups was part of the Weberian tradition, in much the same way as most other stratification theorists in the United States during the early postwar period felt their works to be. But the crucial difference, as Parkin has called attention to, was that Weber generally understood status groups to be social formations which arose within the broad class categories; they were never thought of as equivalent to classes in their own right. The claim is that in the Warner studies, status groups are constructed in a complete class vacuum, and consequently instead

of being treated as a refinement upon class analysis, they turn out to be a substitute for it.⁷

5.2.2 Class by occupation

In the 1950s there emerged a rival school to the Warner school in the United States, focusing on occupational structure as the basis of class. The central figures of this group were Seymour Martin Lipset and Reinhard Bendix.⁸ Theoretically, their work derived much from Pitrim Sorokin, who wrote his major books in the 1920s, and Max Weber, whose work on class, status and power had just recently become available in English.⁹ Lipset and Bendix concentrated specifically on social mobility, which they understood as the interchange between manual and nonmanual occupations: Upward mobility as a move from manual to non-manual employment and downward mobility as vice versa.

In *Social Mobility in Industrial Society* (1959), Lipset and Bendix grounded their study of social mobility on the basis of occupation, as well as stressing the subjective basis of status and prestige that occupation brings with it. Their cross-national material was obtained from studies made previously by other scholars in nine industrialized countries. These countries were: the United States, Germany, Sweden, Japan, France, Switzerland, Denmark, Britain and Italy.

The main thesis which they sought to prove was the assumption that social mobility was much easier in the United States than in the older European countries. Their comparison included only men, and the principal groups into which their occupations were gathered were standardized as "manual", "non-manual" and "farm". Lipset and Bendix, however, came to the conclusion that social mobility was similar to that in the other industrialized countries. Social mobility was more specifically found to be wholly compatible with a well defined class structure and even with a general tendency towards inheritance of social status.

Thus Lipset and Bendix defended clearly the view that the sources of economic and political power and, more particularly, the graduated hierarchy of socio-economic differences are built into the occupational structure of industrialized societies. In our view, this is an obvious intermingling of class and occupational criteria since, according to our understanding, occupations refer to positions within the technical division of labour rather than social division of labour. Nevertheless, one cannot totally ignore the possibility that under a certain period of capitalist development the social organization of society might have coincided to a considerable extent with the technical organization of society. But it is an open question whether this was actually the case in the

respective countries when Lipset and Bendix carried out their research in the 1950s.

5.2.3 The authority model

In his influential work *Class and Class Conflict in Industrial Society* (1959), Ralf Dahrendorf elaborated a specific strategy to study social classes. According to this strategy, which we refer to as the authority model, authority and authority alone constitutes the basis for class division. That is, whereas Marx defined classes and analyzed class conflict on the basis of social relations of production, Dahrendorf viewed authority relations as the central basis for defining class structure. For him the first task of conflict analysis is the identification of variously equipped authority roles, and consequently all further steps of conceptual as well as empirical analysis must follow from the investigations of power and authority.¹⁰ Dahrendorf's unit of theoretical analysis is the Weberian "imperatively co-ordinated association", characterized by internal relations of legitimate authority and within which the dominant and subjected groups have different and opposing interests. Accordingly, social conflict is primarily understood as a conflict between the ruling groups and the subjected groups about the legitimacy of relations of authority.¹¹

The most interesting contribution to class theory in Dahrendorf's work is his description of the development of the class structure of industrial society from the middle of the nineteenth century. Where the transformation of the capitalist society into the post-capitalist society, i.e., Dahrendorf's two subsequent phases or sub-types of industrial society, is meant to be most significantly based on the following three changes. The first one is that capital has dissolved and given way, in the economic sphere, to different groups. The legal ownership of property and the actual control of the means of production, to be more specific, have been separated and distributed at least over two positions, those of "shareholders" and "managers". The growth of joint-stock companies is seen as one of the main reasons for the emergence of a new group of managers that are utterly different from their capitalist predecessors.¹²

The second change is that labour has become more diversified than in the early stages of industrialization, with the exception that some sources indicate that up to the end of the nineteenth century there was a tendency towards the elimination of skilled labour. Since, then, however, with technical innovations in production and a new philosophy of industrial organizations, usually associated with works by authors like F.M. Taylor (1947) and H. Fayol (1916), two new categories of workers have emerged, i.e., semiskilled workers

and highly skilled workers. In accordance with these developmental trends, Dahrendorf claims that analysis of industrial conditions suggests quite clearly that within the labour force at least the following three skill groups can be distinguished:

- (a) a growing stratum of highly skilled workers;
- (b) a relatively stable stratum of semiskilled workers; and
- (c) a dwindling stratum of totally unskilled workers.

This means that instead of the relatively homogeneous working class in the nineteenth century, we find today a plurality of status and skill groups whose interests often seem different from one another.¹³

The third change is the emergence of the “new middle class”. While the decomposition of labour and capital was the result of social developments that have taken place since Marx’s days, Dahrendorf argues that the new middle class was born decomposed and, what is more important, it is not seen as a distinct class at all. And instead of defining the new middle class as “partly this” and “partly that” as many sociologists had done previously, Dahrendorf used two apparently conflicting theories to explain the social positions of its members: The former one claiming that the new middle class is an extension of the old ruling class—bourgeois or capitalist class—and the latter seeing it as an extension of the proletariat, or at any rate closer to the working class than the ruling class, whether capitalist or managerial. In that manner Dahrendorf distinguishes clearly between those to which the former theory applies, i.e., those workers that are part of an administrative chain of authority, and those to which the latter theory applies, i.e., those that occupy positions outside such hierarchies. In short, the emergence of the new middle class, or salaried employees, was primarily an extension of the older classes; the bourgeoisie and the proletariat.¹⁴ The main changes in the composition of the class structure from the middle of the nineteenth century are illustrated in Figure 5.1.

Dahrendorf’s critics regard the authority model predominantly as an attempt to replace Marx’s class model by another dichotomous “conflict” scheme. The main difference being that authority has taken place of property as the key determinant of class structure. Among those that have seriously questioned the basic premises of Dahrendorf’s model is Anthony Giddens, who finds it difficult to accept that one can draw a clear line between those that “hold” or “share in” power and those that do not. He is also sceptical about the assumption that the exercise of authority presupposes an opposition of interests within every association. Further, Giddens claims that the authority model logically implies the recognition of an indeterminate plurality of classes as well as it shifts the attention completely from the problem of “classlessness”.¹⁵

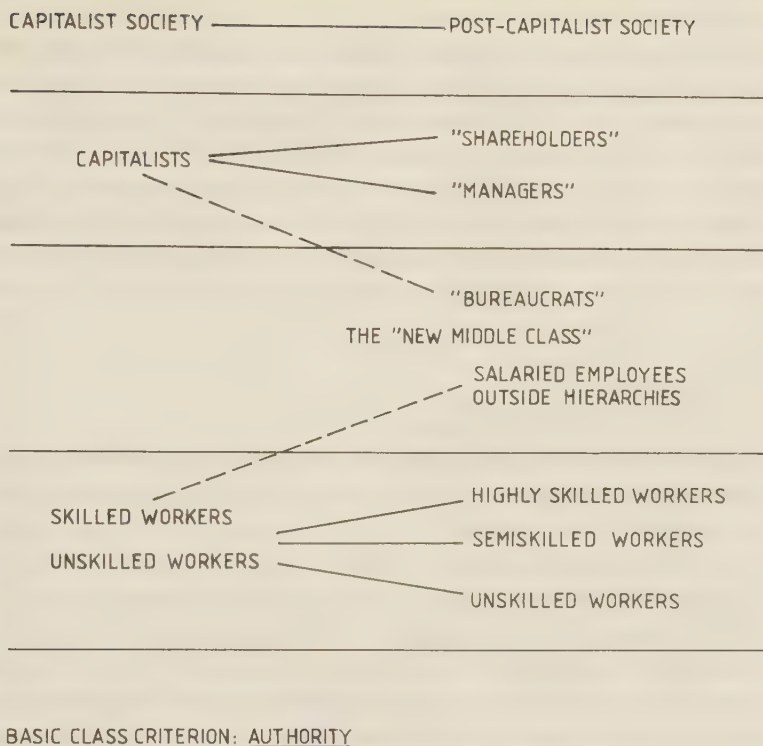


Figure 5.1. The Authority Model.

Even though these objections cannot be justified in all respects, especially as regards the indeterminate plurality of classes, it seems evident that Dahrendorf put his model forward without dealing adequately with Marx's theory of class. While he quotes and comments the famous passage from *The Communist Manifesto* which refers to the polarization of capitalist society into the "two great hostile camps" of the bourgeoisie and the proletariat,¹⁶ the fact that Marx in his later works recognized the "constantly growing number of the middle classes" with the advance of capitalism, is totally ignored.¹⁷ The argument is that Dahrendorf examines some of Marx's formal statements on the formation of economic classes in capitalist society without serious consideration of his fundamental theories of commodity production, surplus value and exploitation.¹⁸

The importance of Dahrendorf's work lies first and foremost in the fact that he took up the discussion of the decomposition of capital and labour, which for the past two decades has been the central issue of class theories,

especially within the Marxist tradition. Instead of classifying various intermediary groups either as members of the working class or the bourgeoisie, Marxist theorists have introduced categories such as “middle layers”, “middle strata”, “new petty bourgeoisie”, “contradictory class locations”, “professional-managerial class”, etc. Authority relations are, for instance, incorporated into Erik Olin Wright’s class model. But, contrary to Dahrendorf, who argues that authority and authority alone constitutes the basis for class division, Wright claims that we can only talk about class relations when domination (authority) relations are simultaneously relations of appropriation.

5.2.4 The Weberian model

The treatment of the class concept in the writings of Max Weber have led to much confusion in interpretations by later scholars. This originates probably from the fact that Weber’s discussions of the concepts of class, status groups and party are very complex, as well as the problems explored in his historical works. For decades the customary procedure has been to contrast in various ways Weber’s ideas with the conception of class supposedly held by Marx, at the disadvantage of the latter,¹⁹ for example, by arguing that Marx, unlike Weber, saw class purely as an economic phenomenon and did not draw clear distinctions between classes, status groups and parties or what Weber refers to as all “phenomena of the distribution of power”. In recent works on the subject, however, two different perspectives can be distinguished. Firstly, there are those who emphasize the resemblance between Marx and Weber in their view of the capitalist society, claiming, among other things, that for both of them ownership versus non-ownership is the most important basis of class division, and that they recognized the same power structure in society.²⁰ Secondly, there are to be found authors who, by contrast, stress that Weber defined classes primarily at the level of market interaction or in their relationship to the means of consumption, but not as according to Marx by their relationship to the means of production nor within the social relations of production. The claim is simply that Weber first and foremost holds a market-oriented conception of class.²¹ In addition, there are writers who go further and criticize some of Weber’s premises and even make attempts to reformulate his understanding of the class concept.²² In our view, the latter of the two main perspectives is more characteristic for Weber. Nevertheless, it should be emphasized, as we will see below, that Weber provides a pluralistic conception of classes in his work, i.e., for him there may be more than one type of class.

From Weber’s discussion of the concept of class in the two versions of

“Class, Status and Party” which have been embodied in *Economy and Society* (1968),²³ it seems evident that Weber’s strategy in approaching the study of classes originates from his more generalized analysis of economic action in the market. The point of departure for Weber is to define “class situation” as the probability of procuring goods, gaining a position in life, and finding an inner satisfaction. This class situation is seen to derive from “relative control over goods and skills and from their income producing uses within a given economic order”.²⁴ In that manner class itself is referred to as all individuals in the same class situation, i.e., those who share the same (or similar) interests. Weber distinguishes analytically three types of classes. A “property class” which is determined by the differentiation of the property it owns. A “commercial class” which is determined primarily by the opportunity its members have to exploit their services in the market. And finally a “social class” which makes up the totality of those class situations within which one can detect regular and consistent movements of individuals and generations.

The relationship of property classes as well as commercial classes is such that it lies along certain societally determined scales where, in both instances, there may be positively or negatively privileged classes, while still others, each of which forming a kind of middle class, lie somewhere on the scale between. Along these scales a number of groups stand out, distinguished from those that lie on either side of them by a special combination of characteristics. These are the social classes, of which the working class forms a particularly large, regular and distinguishable group. Other groups thus specifically identified by Weber are the petty bourgeoisie, the property-less intelligentsia and specialists, and the classes privileged through property and education.²⁵ In this context it is interesting to note that Weber did not expect this diverse structure of class relationships to develop into a polarised structure; including mainly two internally homogeneous classes. Instead, he suggested that classes would become more diversified and diffused along with the process of capitalist development.

The basic problem with Weber’s market-oriented conception of class is that it theoretically implies the recognition of an indefinite number of classes. Hence, almost any aggregate of individuals sharing a common market situation in terms of goods and skills can simply be referred to as class. To overcome this particular difficulty some contemporary writers have reformulated Weber’s class model and introduced new concepts to distinguish a few clearly defined classes.

Anthony Giddens defends most rigorously the view that instead of speaking of “existence” or “non-existence” of classes, we should rather speak of types and levels of what he calls *class structuration*. In explaining the process of

class structuration, Giddens adopts Weber's concept of "social class", which is reformulated as:

"a cluster of class situations which are linked together by virtue of the fact that they involve common mobility chances, either within the career of individuals or across generations."²⁶

This concern with "class situation" brings into focus the market capacity of members of different classes as they struggle for "scarce returns" within the market structure of competitive capitalism. Giddens's model distinguishes specifically the *mediate* from the *proximate* structuration of class relationships. The former refers to the "overall connecting links" between particular market capacities on the one hand and the formation of identifiable classes on the other, while the latter concerns more "localized" factors which condition or shape class formation. As concerns mediate structuration, Giddens identifies three types of market capacity that are of importance: ownership of property; possession of educational or technical qualifications; and possession of manual labour-power. Accordingly, these three factors are related to the upper, middle, and lower or working classes, which are seen as the three basic classes in capitalist society. Further, Giddens locates three sources of proximate structuration, i.e., in the division of labour in the productive enterprise; the authority relationships within the enterprise; and the influence of distributive groupings relating to the consumption of economic goods.²⁷

5.3 Marxist Models

It becomes evident when we look at works by contemporary authors who claim affiliation to Marxism that one can with less certainty than ever before distinguish the indisputable Marxist theory of class. We can only go as far as to say that Marxists tend to define classes in terms of the social relations of production rather than by the social relations of exchange.

In this section we have selected to discuss five types of models of the class structure in capitalist societies. These are predominantly models which for the past 10-15 years have been central in theoretical debates and some of them have also been employed in concrete class analysis in various countries.

5.3.1 The simple polarization model

The view that the class structure of advanced capitalist societies should be seen as a simple polarization between the bourgeoisie and the proletariat is based

on the premise that criteria such as ownership of the means of production and source of income determine the class positions of individuals. For most contemporary proponents of this approach the following statement by Marx in the *Communist Manifesto* (1848) serves as theoretical starting point:

“Society as a whole is more and more splitting up into two great hostile camps, into two great classes directly facing each other—bourgeoisie and proletariat.”²⁸

From this standpoint the middle class consists only of small employers, shopkeepers, farmers and other traditional petty bourgeoisie. It is also claimed that with the advancement of capitalism the proportion of the population engaged in petty bourgeois production and services will decline steadily, as the class structure becomes increasingly polarized between the two antagonistic classes—workers and capitalists. Furthermore, this polarization is meant to imply increased power to the proletariat as it becomes greater in number and more organized.

Among those who defend such conceptions of the class structure are West-European social democrats and several Marxist theorists. The basic argument is that all wage labourers are in similar structural positions and therefore have common interests. They do not own the means of production, but must sell their labour power as any other product on the market. Their common interests lie in abolishing the labour-wage relationship and within the existing production system earning as high wages as possible, while the capitalists have an opposite interest of realizing maximal financial returns.

Modern Marxist theorists like James F. Backer (1973) have emphasized that while the transformation of the technical division of labour in the course of capitalist development may have generated new divisions or strata within classes, these divisions have not in any way altered the structure of class relations within the capitalist mode of production.²⁹ For Anthony Cutler and others (1977), on the other hand, the distinction between the social division of labour and the technical division of labour serves as the basis of analysis. The former refers to what the authors call the “mode of possession and of separation” with respect to the means of production; whereas the latter consists of the division of functions technically necessary for production in an economy.³⁰ Classes are accordingly defined with regard to whether their members possess the means of production and are able to set them into motion without selling their own labour power, or not. And civil servants as well as other employees outside the capitalist production, who neither possess nor are separated from the means of production, are said to occupy no class position at all. They are simply outside of economic class relations of society; providing only functions that are technically necessary for production.

Nonetheless, one can argue that Marx's predictions in the *Communist*

Manifesto about future developments of the capitalist system have in some respects become true, such as by pointing out that the share of wage earners in total employment has steadily increased, the simultaneous decline of the proportion of the petty bourgeoisie, and the fact that manual craftsmanship is not valued as much today as in the nineteenth century. The simple polarization model is, however, too simplistic and does not take into account that capitalism has undergone substantial changes during this century—from a competitive order to a system dominated by big business enterprises. Among the arguments raised against this model in this context is that it reduces the social relations of production to one-dimensional relation of possession or economic ownership; that it tends to identify as technological functions activities that should properly be regarded as aspects of social relations of production; and that it breaks the relationship between the analysis of the class structure and class formation by including within the working class social positions with fundamentally opposing class interests.³¹

5.3.2 The model of productive/unproductive labour

The model of productive and unproductive labour is based on the idea that while certain categories of wage earners are employed by capital, they nevertheless do not produce any surplus, i.e., they are in fact seen as unproductive labourers. These employees are treated as a segment of the petty bourgeoisie, members of the “new” middle class or simply as a classless “middle strata”. The claim is that they belong to these class categories because their livelihood comes out of the surplus value produced by productive workers. Put differently, these wage earners live off the labour of the working class.

Martin Nicolaus in his article on “Proletariat and Middle Class in Marx” (1967) gives one version of this approach.³² Basing that essay on Marx’s analysis of the laws of motion that govern capital accumulation, Nicolaus defends the thesis that as capitalism expands an increasing proportion of the population must be employed in unproductive activities for reasons such as those that a great deal of unproductive labour is technically necessary in the accumulation process and as productivity increases, consequently, surplus value increases. The rise of the “new” middle class originates therefore from the technical need for unproductive labour and the need to absorb the surplus product.

A slightly more complex example of this view on the new middle class is presented in John Urry’s article “Towards a Structural Theory of the Middle Class” (1973). His argument is that the nature of capitalism is such that there are two sets of functions which need to be fulfilled: On the one hand, that of capital accumulation, and, on the other, that of producing value or surplus

value. The former is the capitalist function and the latter is the function of labour. These two functions are meant to give rise to two dichotomies: ownership and nonownership of the means of production; production and non-production of value. And in the same way as Nicolaus, Urry defines the new middle class as people who are nonowners and nonproducers of surplus value. In addition, dichotomies like high status versus low status, powerful versus powerless, and hirers versus hired are employed to further differentiate people in their work situation.³³ Thus, taking all these criteria together, Urry's class model consists of four main class categories: capitalists, traditional petty bourgeoisie, new middle classes, and workers. The new middle classes including managers, professionals, clerks and foremen as subgroups.³⁴

The most exhaustive effort to base the analysis of the new middle class in the concept of unproductive labour is found in Nicos Poulantzas' *Political Power and Social Class* (1973) and *Classes in Contemporary Capitalism* (1975). In an approach similar to that of Nicolaus and Urry, Poulantzas claims that unproductive wage earners must be excluded from the ranks of the proletariat because they lie outside the basic, dominant capitalist relation of exploitation. Poulantzas further surpasses their analyses by insisting that class positions cannot be simply defined at the level of economic relations; political and ideological factors must be included as well.³⁵ On the basis of these premises the classes are defined in the first instance by the distinction between productive and unproductive labour and secondarily by relations of ideological and political domination and subordination. The only exception is the new petty bourgeoisie—that class which Nicolaus and Urry refer to as the new middle class—which together with the old petty bourgeoisie is meant to form a single class, due to their ideological unity as regards the relationship to the class struggle between the bourgeoisie and the proletariat.³⁶

These conceptions have been criticized basically for the emphasis they place on the distinction between productive and unproductive labour. One kind of criticism of this view is that we might argue that an increasing number of positions within the social division of labour combine in one way or another both productive and unproductive activities.³⁷ Another critical weakness concerns the supposed basic contradictions between a productive worker and an unproductive worker. If two positions within the social division of labour are placed into two different classes on the basis of economic criteria, then this must imply that they have fundamentally different class interests at the economic level. But despite different mechanisms of exploitation it is difficult to see that basic differences of economic interests can originate from the positions of productive and unproductive labour within the capitalist relations of production.³⁸

Poulantzas has been criticized specifically for his claim that the old petty

bourgeoisie and the new petty bourgeoisie constitute one single class. The critique has not only underlined the differences of these positions at the economic level but also in many other respects, such as that the old petty bourgeoisie is against big business and large distributors while the new petty bourgeoisie depends on the monopoly capital for its reproduction. At the political level the old petty bourgeoisie is status quo oriented and even reactionary, whereas the new petty bourgeoisie is meant to benefit from current development; including the extension of state activities. And even though the old petty bourgeoisie and the new petty bourgeoisie may be regarded as individualistic, the individualism of the traditional petty bourgeoisie is viewed as radically different from the individualism of the new petty bourgeoisie. In the former case, individualism is an ideology of independence and autonomy, while in the latter it is an ideology of careerism within bureaucratic organizations.³⁹

5.3.3 The model of intellectual/manual labour

One alternative strategy to make the general distinction between the working class and the new middle class, or as often referred to as the middle strata, is to utilize the so-called intellectual/manual division. That criterion is considered central to the determination of the class position of all mental labourers, not just technicians, engineers and the like.

In his book *Mellemlagene in Denmark* (1979), Jørgen Goul Andersen argues that even though the concept of productive work is fundamental in economics there is no reason to believe that it has a similar position within the theory of class. A productive labourer in manufacturing and an unproductive worker in distribution services are both producing surplus, i.e., their labour power is bought by capitalists for the sake of profit. From the worker's point of view it makes no difference whether he is working for an industrialist or a trading firm. The investment of capital in manufacturing and commerce is based on identical principles of profit-making.

To Anderson, therefore, it seems inappropriate to talk about contradictions between productive workers and the unproductive workers; whereas it is possible that the conditions for the consciousness of the productive worker can be different from those of the unproductive worker. Nevertheless, his conclusion is that in view of several other factors most of the unproductive workers must be classified as belonging to the working class and the unproductive workers as members of the middle strata.⁴⁰ Thus, the middle strata consists of groups that are in rather different relations to the bourgeoisie and the proletariat; but what they have in common after all is that their fundamental interests are not as extensive as those of the working class.

Andersen's book contains a summary of a great deal of the debate within the Marxist tradition during the 1970s on the changing composition of the class structure in western capitalist countries. He is both critical of views according to which more or less all wage earners belong in the working class as well as of Poulantzas' strategy to reduce the working class to productive workers and his notion of an ideological coherence between the "new" and the old petty bourgeoisie. At the empirical level, however, his alternative to distinguish the working class and the middle strata on the basis of the division between intellectual and manual work seems to run into similar problems as the model of productive versus unproductive labour. We need only to point out that manual work is common among lower white collar workers to see that Andersen's distinction is a rather crude indication of the class position of several categories of employment.

5.3.4 The professional-managerial class

Another strategy is to treat those wage earners that fall outside the working class not as a segment of the new middle class nor the new petty bourgeoisie but rather as a new class in its own right, distinct from the traditional petty bourgeoisie as well as the capitalist class and the working class. This class has been called the "Professional-Managerial Class" (PMC) by authors like John and Barbara Ehrenreich. The Professional-Managerial Class which is said to have emerged in the course of capitalist development is defined by them as follows:

"We define the Professional-Managerial Class as consisting of salaried mental workers who do not own their means of production and whose major function in the social division of labor may be described broadly as the reproduction of capitalist culture and capitalist class relations."⁴¹

And they continue:

"The PMC, by our definition, includes people with a wide range of occupations, skills, income levels, power and prestige. The boundaries separating it from the ruling class above and the working class below are fuzzy."⁴²

Thus the PMC is defined by the specific function it plays in the reproduction of class relations rather than simply by its positions within the social relations of production as such. And the fundamental interests of this class are seen to be of some kind of contradictory character between capital and labour, in the sense that the PMC shares some interests with the capitalist class and the working class, while in other respects it does not.

One of the arguments for treating the PMC as a class in its own right is that its class position is clearly manifested in political behaviour, such as by the

fact that PMC has developed its own professional organizations, its own specific ideology, i.e., technocratic liberalism, and its own recruitment and training structures in the form of universities and other specialized educational institutions. It is, however, very difficult to see how nurses, welfare workers, teachers, engineers, state bureaucratic managers, and top executives can make up a unity of interests. In our view, it seems to be critical to assume that one group close to the capitalist class and another group close to the working class have more distinctive interests in common than those that link them to the two great classes since, to form a genuine class, its members must have more class interests in common with each other than they do with members of other classes.

5.3.5 Contradictory class positions

In recent years some authors have maintained that not all positions within the production process must fall into a single class location. According to this view, certain positions are recognized as being objectively situated in more than one class or “objectively torn between classes”. These positions are commonly referred to as “contradictory locations within class relations”.

In his book *On The Economic Identification of Social Classes* (1977), Gulielmo Carchedi presents one version of this perspective. His analysis centers primarily on the function of specific positions within the social relations of production. The point of departure for Carchedi is to divide the development of capitalism into two main stages, the first of which includes two phases. Thus, on the one hand, there are early private capitalism and developed private capitalism, and, on the other, the stage of monopoly capitalism. Carchedi then defines class positions in terms of general dimensions, which he refers to as the ownership, expropriation, and functional elements. Private capitalism is characterized by a simple one-to-one relationship between legal ownership and real economic ownership; whereas under monopoly capitalism real economic ownership is organized collectively, but not individually. Under private capitalism the class structure is composed of three main classes: capitalist class, old middle class and working class. The class structure consists also of three classes under monopoly capitalism: monopoly capitalist class, new middle class, and working class. The contemporary *capitalist class* includes those agents who have real economic ownership of the means of production, expropriate surplus labour, and perform the global function of capital. Contrary to this, surplus labour is expropriated from the working class and it performs the function of collective worker as well. The members of the *new middle class* both expropriate surplus labour and surplus labour is expropriated from them—they are both exploiting and

exploited—and they participate in the global function of capital and the function of collective worker to variable degrees. In addition, it should be noted that while contemporary capitalism is dominated by monopoly capitalism, the earlier forms continue to exist, and consequently continue to determine class positions.⁴³

Another and a better known version has been elaborated in a series of publications by the American sociologist Erik Olin Wright.⁴⁴ In general, Wright's strategy is based on a distinction between three kinds of locations within a class structure: (1) basic locations; (2) contradictory class locations within a mode of production; (3) contradictory locations between modes of production. The second and third of these are grouped under a more general rubric, contradictory locations within class relations. All basic class locations within a given mode of production are defined by a complete polarization, while contradictory class locations specify situations in which such complete polarization is absent.

In the case of the capitalist mode of production, Wright bases his analysis on three interconnected dimensions of domination and appropriation within production, i.e., on relations to money capital, physical capital and labour power. As concerns the basic class locations, the capitalist class is defined as that class which, within appropriation relations, owns the means of production and exploits workers and which, within domination relations, controls the activities of workers within the process of production; whereas the working class is defined as that class which is exploited within appropriation relations and subordinated within the domination relations of production. Contradictory locations within the capitalist mode of production specify, on the other hand, situations in which complete polarization is absent. Those who occupy such locations, for instance managers, exercise certain ownership rights and exploit workers, while at the same time being exploited by capital. Thus, they are in a sense simultaneously in two classes.

Further, concrete capitalist societies always contain at least some non-capitalist and pre-capitalist forms of production. Remnants of feudal production relations and possible forms of post-capitalist production relations are examples of the former type, while the petty bourgeoisie is an example of the latter. The small employers are seen as in contradictory class locations between the petty bourgeoisie and the capitalist class. The category of semi-autonomous employees includes, on the other hand, two relatively different groups in contradictory locations between modes of production. Firstly, those who are in contradictory locations between the working class and the petty bourgeoisie. Secondly, those who are in contradictory locations between the working class in the capitalist mode of production and supposedly a growing mode of production, which may be called a state mode of production or even a socialist mode of production.

Carchedi's class model is, in many respects, open to question. The performance of the global function of capital is, for instance, simply seen as based on formal relations of authority. As a logical consequence of this, Carchedi also imposes his model almost directly upon all state activities, both as regards agents employed in capitalist state activities and those employed in non-capitalist state activities where, in the latter case, the economic identification of the agents employed in these state activities follows the same lines as those of the agents employed in an unproductive capitalist enterprise.⁴⁵

It still remains unresolved, as Andersen points out, in what sense one can speak about capital functions in this context. These activities anyway do not directly produce profit, at least in most instances. Neither does it help much in accordance with the traditional Marxist theory to look at state employees as performers of collective capital functions since, by the increased number of state-provided services, the state cannot be referred to as a solely repressive apparatus and precisely as regards the repressive agents the emphasis on formal relations of authority appears to be extremely useless.⁴⁶

Wright's model appears in a similar way to imply that all economic activity in capitalist society follows the same lines as manufacturing activity in such a society. It is, however, clearly stated that authority or domination relations cannot alone constitute class relations because such relations can only be properly defined by those appropriation relations which are simultaneously relations of domination. Control over money capital, physical capital and labour power are claimed to be, in effect, relations of exploitation since the appropriation of surplus labour is seen as a consequence of control or domination over these dimensions of production relations.

It has further been pointed out that Wright has not dealt in sufficient depth with the problems arising from the qualitative disparities between contradictory class locations, especially as concerns the relation between the capitalist mode of production and simple commodity production. Neither does he specify the special position held by the agricultural petty bourgeoisie in relation to other sections of the petty bourgeoisie, nor investigate the disparities between the modes of subordination to capital of different working-class groups, nor analyze properly the economically non-active population.⁴⁷ In addition, it seems evident that Wright does not take enough notice of the fact that economic factors operate within an arena larger than any particular society or other political entities in the world. This is a problem which could be seen as central to all modern class analysis.

5.4 Conclusion

In this chapter we have discussed basic premises, main properties and critical weaknesses of four non-Marxist and five Marxist class schemes frequently used to analyze class structures. These are all models which we think are important for the study of the class structure in contemporary capitalist societies. The purpose was to see which one of these models fitted best with our perspective on societal development, especially as regards capitalist development in Iceland. In that way we hope to be able to link the development of the class structure in Iceland rigorously to specific trends of the societal development.

The class models are all more or less based on specific conceptions or overall theories of societal development. It differs, however, very much from one author to another how each model is linked to such comprehensive perspectives. The activities of the Warner School were designed more to elaborate the differences among local status groups than to yield a model of class structure or stages of development. Behind the class model of Lipset and Bendix lies a dichotomous model of the transition from a traditional to an industrial order of society. It should be mentioned that most premises of this scheme were seriously reconsidered or abandoned by Bendix in the 1960s.⁴⁸ Dahrendorf concentrated on the transformation of the capitalist society into the post-capitalist society, which is treated by him as subsequent phases or sub-types of industrial society. In the background of the Weberian model is the conception of a development from a traditional society towards a more rational one.

Most of the Marxist models share the basic premise of evolutionary Marxism that each society develops from feudalism through capitalism to socialism. But as regards the variants of the simple polarization model which we have discussed above it becomes evident that proponents of this view do not pay enough attention to the fact that capitalism has undergone substantial changes during this century. The distinctions between productive versus unproductive work and intellectual versus manual work as basic class criteria likewise do not take into account the structural changes within capitalism from the latter part of the nineteenth century. The arguments for treating the professional-managerial class as a genuine class which has emerged in the course of capitalist development seem also to be based on very weak grounds. The defenders of the model of contradictory class locations are the only contemporary Marxist class analysts who have presented constructive schemes over stages and phases in capitalist development, i.e., Carchedi, with his two phases of private capitalism and the monopoly stage of capitalism, and Wright, dividing capitalist development into following six stages: (1) early

period of primitive accumulation, (2) transition from primitive accumulation to manufacture, (3) transition from manufacture to machinofacture, (4) rise and consolidation of monopoly capital, (5) advanced monopoly capital, and (6) state-directed monopoly capitalism.⁴⁹

We agree with the view that social relations of production and surplus appropriation together are the determining forces behind the functioning and development of any economic system. Social classes in capitalist societies should therefore be defined in terms of social relations of production rather than by the social relations of exchange, authority, status or any other criteria. Given that premise it becomes evident that none of the models discussed above coincides in all respects with out perspective on capitalist development in Iceland. Their basic premises and properties are in most cases too developmentalist and mechanical compared with the world-system perspective which serves as a point of departure for the analyses presented in this study. We can, however, begin by excluding all the non-Marxist models, which of course does not mean that all aspects of these schemes are without any explanatory value as regards societal development. Concerning the other models, we can only in this situation choose what, we think, is the most rigorous conceptualization of the class structure available, i.e., both in accordance with the theoretical premises of this study and the statistical material accessible for conducting concrete class analysis. And that choice brings us to the next chapter.

6.0 The Class Structure in Iceland

6.1 Introduction

Of the class models discussed in the preceding chapter, Erik Olin Wright's scheme seems so far to be the most successful operationalization of the class concept for analyzing the class structure in capitalist societies. But the data which has been available to us makes it very difficult to apply his model directly in an analysis of the Icelandic class structure. We have therefore firstly chosen to analyze our data according to a class scheme where the categories in the sources serve as a base. Secondly, we make an attempt to translate these categories into Wright's class categories.

In addition we look specifically at how the Icelandic class structure assimilates to what Immanuel Wallerstein claims to be distinctive for semiperipheral countries.¹ According to him the basic characteristics of the class structure in these countries are as follows:

1. The bourgeoisie tends to be smaller and weaker than comparable groups in core countries, and it tends to be located only in certain sectors of national economic activities.
2. The professional sector is smaller in semiperipheral countries than in core countries but, in terms of real income, is frequently better paid than persons in equivalent positions in core countries.
3. The sector of fully proletarianized, less skilled workers is smaller in semiperipheral than in core countries and on the whole receives much less real income than its counterpart in core countries.
4. The sector of semiproletarianized workers is certainly more numerous in semiperipheral than in core countries, and probably receives less real income.

6.2 Data and Operationalization

The data used in our analysis of the class structure is primarily derived from official statistical material such as population censuses, statistics on the economically active population, labour market studies, tax records, and vari-

ous other sources. That kind of data is, however, not directly suited for the purpose of class analysis because it is gathered in occupational rather than class terms.

Census data and other official records will simply not do by themselves and no simple collapsing of occupational titles can generate an operationalization of classes in a rigorous manner. This should be kept in mind as we attempt to translate the occupational categories in our sources into the class categories of the class scheme utilized in this study.

Population censuses have been conducted in Iceland at intervals of 10 years during this century, apart from a break from 1960 until early 1981. The classification by occupation used in these censuses has, however, only been applied to all industries since 1930. The censuses of 1901, 1910 and 1920 have therefore been left out, even though some general estimations can be made for these years. Further, since the results of the census of 1981 are not expected to be available until in the late 1980s, studies on the labour market and tax records are used as basic sources to display the developmental trends since 1960.

In the censuses from 1930 to 1960 the labour force was divided into three general categories and several subcategories. The reports also included some other categories—varying from one census to another—such as domestics and family workers. The general categories were employers, salaried or non-manual employees, and wage earners. The members of the *employers' category* were (a) employers hiring employees, and (b) self-employed not hiring employees and persons working on their own account. *Salaried employees or non-manual employees* included managers and administrative personnel, professionals, technicians and related workers, various skilled personnel, and non-manual sales, clerical and service workers. This category was further divided into two subcategories, i.e., (a) directors and managers, and (b) other non-manual employees. The *wage earners' category* contained manual workers that earned their living exclusively or primarily from wage employment, such as industrial wage labourers, fishermen, sailors, craftsmen and various seasonal workers. In the censuses of 1930 and 1940 foremen were classified as a special subcategory within this occupational group.

In studies on the labour market published every year by the Economic Development Institute, the economically active population is grouped into the following five categories: owners, skilled employees, unskilled employees, non-manual employees and so-called others (managers & professionals). *Owners* are employers with employees, self-employed owners of businesses not hiring employees, owners in co-operative farming, and capital owners. *Skilled employees* are primarily craftsmen. *Unskilled employees* are manual unskilled workers. *Non-manual employees* include categories of employment

such as public servants, bank employees, employees of political parties, interest organizations and newspapers, and non-manual clerical, sales and service workers. The category of *others* contains directors, managers, supervisors, foremen, technicians and professionals.

The category of owners in the labour market studies corresponds in most respects to the employers' category in the censuses. One exception is that women in agriculture were classified as family workers in the censuses of 1950 and 1960, but as owners in the labour market reports. The categories of skilled employees and unskilled employees corresponds largely to the wage earners' category. The only exception we noticed was that independent driver-owners were all classified as unskilled employees in the labour market studies, but as workers on their own account in the censuses. The members of the categories of non-manual employees and others (managers & professionals) would also be included in the category of salaried/non-manual employees.

CLASS LOCATION	OPERATIONALIZATION
Employers	owner or part-owner of business hiring employees.
Petty bourgeoisie	self-employed or owner or part-owner of business not hiring any employees from outside the family.
Middle strata	(a) managers, supervisors, foremen; professionals, and technicians. (b) all other non-manual workers such as clerks, sales and service workers.
Workers	industrial wage labourers, craftsmen, fishermen, sailors and all other manual workers both skilled and unskilled.
Domestics	servants in homes.
Family workers	unpaid family workers.

6.3 Transformation of the Economy

It is necessary, in our view, to provide an overview of some of the characteristics of the economic structure before proceeding with the analysis of the class structure. In one report from the Economic Development Institute the analyses of the labour force in Iceland are based on a breakdown of the economic structure into three major sectors, here called extractive, transformative and service sectors, and further into 9 to 16 industries. This breakdown of the labour force is operationally based on types of firms and establishments, but not on class categories nor occupational titles within each branch of industry. All employees of airline companies and shipping companies, for instance, are classified under transportation, and firms which

Table 6.1. Breakdown of the labour force in Iceland by sectors and industries, 1910—1979. Measured in man-years. Percentages.

Sectors and industries (ISIC)	1910	1930	1940	1950	1960	1970	1979
I. EXTRACTIVE	63.0	49.4	46.5	34.9	24.2	18.5	12.1
1. Agriculture	47.6	35.0	32.4	24.4	16.0	12.1	6.9
2. Fishing	15.4	14.4	14.1	10.5	8.2	6.4	5.1
II. TRANSFORMATIVE	12.2	19.5	21.2	32.0	36.3	36.9	38.0
1. Fish processing industry	3.1	6.2	4.7	5.3	10.1	8.1	9.0
2. Other manufacturing ind.	5.4	7.3	11.0	16.5	15.5	17.4	17.9
3. Electricity, etc.	—	—	—	—	—	0.6	0.9
4. Construction	3.7	6.0	5.5	10.2	10.7	10.7	10.2
III. SERVICES	24.8	31.0	32.4	33.0	39.5	44.6	49.8
1. Transportation	4.3	7.3	8.4	9.6	9.1	8.5	7.5
2. Commerce and trade	3.4	6.9	7.6	9.1	13.5	17.8	19.0
a. Retail and wholesale	—	—	—	—	—	11.8	11.8
b. Hotels and restaurants	—	—	—	—	—	1.7	1.9
c. Banking	—	—	—	—	—	1.8	2.6
d. Insurance	—	—	—	—	—	0.9	0.8
e. Business services	—	—	—	—	—	1.5	2.9
3. Other Services	17.1	16.9	16.3	14.3	17.0	18.4	23.3
a. State & local government	—	—	—	—	—	14.4	19.0
b. Entertainment, sport, etc.	—	—	—	—	—	1.2	1.3
c. Personal services	—	—	—	—	—	1.8	1.9
d. Defence force services	—	—	—	—	—	0.9	1.1
Total Labour Forces	100	100	100	100	100	100	100
Number (in thousands)	35.1	45.1	51.1	58.1	68.3	81.1	101.0

Sources: 1. The population censuses in 1930, 1940, 1950 and 1960.

2. *Mannfjöldi, Mannafli og Tekjur*. Framkvæmdastofnun Ríkisins, Áætlandadeild, Reykjavík 1981.

Note: The figures for the period 1910—1960 are based on population censuses in respective years, while the figures for 1970 and 1979 are derived from statistics on accident insured work-weeks by industry. Man-year = full-time work of one man over one year.

carry out diverse activities are classified according to their main activity.

Even though Table 6.1 does not display the class composition of the Icelandic society, it nevertheless illustrates in its own way some of the basic transformations of the economy in this century. The major change is the shift in the distribution of the population across economic sectors. The extractive sector, especially agriculture, has declined while the transformative sector and more recently the service sector has greatly increased.

In 1910, 47.6 per cent of the labour force was engaged in agriculture and 15.4 per cent in the fishing industry. From that year the labour force in agriculture has declined to 6.9 per cent in 1979. The changes were most rapid in the 1920s, 1940s and 1950s. The decline of employment in the fishing indus-

try has been much slower, the decline did not exceed more than 2.3 per cent of the total labour force in each decade since the 1910s, except in the 1940s when the decline was 3.6 per cent. In 1979 the share of the labour force engaged in the fishing industry was 5.1 per cent. The manufacturing industry, on the other hand, expanded most rapidly in the 1930s and 1940s, the construction industry in the 1940s and the fish processing industry in the 1950s. Since 1960 the share of the transformative sector in total employment has remained almost constant, or just below 40 per cent of all economically active. During this period the main shift in employment has been towards the service sector, i.e., from 39.5 per cent in 1960 to 49.8 per cent in 1979. This increase is mostly due to the expansion of public services such as education, health and social services.

6.4 Changes in the Class Structure 1930—1980

6.4.1 General trends

The Icelandic class structure has undergone considerable changes during the last decades. The labour force has both increased in number and the composition of the class structure is very different today from what it was in the 1930s. Employers, i.e., the capitalist class proper and small employers, were 12.3 per cent of all economically active in 1930. Their ratio declined to 9.8 per cent in 1950 and has continued to fall off during the whole research period. The share of employers in total employment was estimated to be 5.5 per cent in 1980.

The petty bourgeoisie stood for 9.0 per cent of all economically active persons in 1930. The share of this group declined to 8.1 per cent in 1940 and 7.9 per cent in 1950. However, contrary to the general development in most other capitalist countries, their share in total employment increased again in the 1950s and was 11.0 per cent in 1960. Since, then their share has declined to 7.1 per cent in 1980.

The middle strata was 11.4 per cent of the labour force in 1930. Its share in total employment has increased rapidly during the research period due to factors such as the expansion of the public sector, growing bureaucratization in all sectors, and increased productivity of the extractive and transformative sectors of the economy. By 1960 the share of the middle strata had gone up to 23.3 per cent and was 35.8 per cent in 1980.

Workers were 55.9 per cent of the labour force in 1930, mostly agricultural workers and fishermen. By 1960 the share of workers in total employment had declined slightly or down to 53.2 per cent, and further to 48.3 per cent in 1980.

From 1930 to 1960 the main shift in employment within the working class was from the extractive sector to the transformative sector, but since 1960 the trend has been towards growing predominance of the service sector.

During the research period the share of the so-called other categories or, to be more specific, pre-capitalist categories has declined from 11.5 per cent to 3.4 per cent. This is mostly due to the fact that domestic servants have almost disappeared. It should be noted, as displayed in Table 6.2, that family workers were not included in the total number of all economically active persons in 1930 and 1940. Comparing these years with the censuses of 1950 and 1960, we can assume that the total share of these two categories was 16-20 per cent in 1930 and 12-16 per cent in 1940.

6.4.2 Economically active population

The relative labour force rate provides information about the proportion of the adult population that has been economically active during the research period, i.e., breadwinners, both as regards the composition of the class structure and its developmental trends. Measured as a percentage of the total population aged 15-74 years, the relative labour force rate was about 94 per cent in 1980. This includes all those with some kind of income during that year. But if we omit people working less than 14 weeks, i.e., students and other seasonal workers, the relative labour force rate was much lower. On such a basis it was possible to compare this rate in 1980 with figures from the censuses between 1930 and 1960, which were either conducted in November or December in the respective years, when most students and other seasonal workers were outside the labour market.

Table 6.3 displays the relative labour force rate between 1930 and 1980. The table shows that the rate for men has declined from about 95 per cent before 1960 to 82.5 per cent in 1980, whereas the rate for women has almost doubled from 1960 to 1980 or from 34.4 per cent to 61.0 per cent. But the total rate has not changed as much as the relative labour force rate for each of the sexes. It was 67.7 per cent in 1930, down to 62.4 per cent in 1960, and up to 71.9 per cent in 1980. This is evidently due to the fact that people now come later into the labour market than in the first decades of the research period, and they retire at an earlier age as well.

A study of the labour market in 1980 based on wage statistics and tax specifications from employers and capital owners showed that 147,089 individuals received some kind of income in that year. Table 6.4 displays that 82,244 men were economically active in 1980 and 64,845 women, i.e., 55.9 per cent and 44.1 per cent respectively of the total work force. The proportion of men working full time was larger than of women; 33.4 per cent against 15.1

Table 6.2. Changes in the Icelandic class structure, 1930—1980. Absolute numbers and percentages.¹

Class	Absolute numbers					Percentages				
	1930	1940	1950	1960	1980	1930	1940	1950	1960	1980
Employers	5837	6283	6210	4190	5483	12.3	12.0	9.8	6.1	5.5
Petty bourgeoisie	4277	4279	5022	7482	6991	9.0	8.1	7.9	11.0	7.1
Middle strata	5430	8132	10883	15879	35483	11.4	15.5	17.1	23.3	35.8
Working class	26615	29580	35401	36280	47821	55.9	56.3	55.7	53.2	48.3
Other categories	5485	4247	6079	4309	3281	11.5	8.1	9.6	6.3	3.3
— domestics	(5485)	(4247)	(1832)	(872)	(. .)	(11.5)	(8.1)	(2.9)	(1.3)	(. .)
— family workers ²	(. .)	(. .)	(4247)	(3437)	(3281)	(. .)	(. .)	(6.7)	(5.0)	(3.3)
Total	47644	52521	63595	68140	99059 ³	100	100	100	100	100

Sources: 1. *Population Censuses* of 1930, 1940, 1950 and 1960. The Statistical Bureau of Iceland, Reykjavík.

2. *The Labour Market 1980*. The Economic Development Institute, Reykjavík 1982.

3. Statistical Bureau Bulletin, No. 10, 1979.

Notes: 1. The figures for 1930 and 1940 contain only breadwinners; for 1950 and 1960 all breadwinners and family workers, i.e., all economically active, and for 1980 the size of each category is based on the number of man-years in respective class groups. Therefore, the figures for 1980 can only be taken as broadly indicative.

2. Women economically active in agriculture in 1980 are classified as family workers as in the censuses of 1950 and 1960.

3. Man-years according to wages statistics are slightly lower in number than the comparative figure based on accident-insured work-weeks. Compare with Table 6.1.

Table 6.3. The relative labour force rate, 1930—1980.

Year	TOTAL	Men	Women
1930	67.5	96.5	39.9
1940	64.4	93.4	40.7
1950	66.7	95.3	38.0
1960	62.4	89.9	34.4
1980	71.9	82.5	61.0

Sources: 1. *Population Censuses* of 1930, 1940, 1950 and 1960. The Statistical Bureau of Iceland, Reykjavík.

2. *Statistical Abstract of Iceland 1974*. The Statistical Bureau of Iceland, Reykjavík 1976.

3. *The Labour Market in 1980*. The Economic Development Institute, Reykjavík 1982.

4. *Mannfjöldi, Mannafli og Tekjur*. Framkvæmdastofnun Ríkisins, áætlanadeild, Reykjavík 1981.

Note: Labour force rate is defined as number of persons in the labour force as a percentage of total population aged 15—74 years.

Table 6.4. The economically active population by age and sex in 1980. All industries. Percentages.

Age	Total	M	W	Participation in work							
				1/4		1/2		3/4		1/1	
				M	W	M	W	M	W	M	W
—14	3.7	3.7	3.7	16.1	12.6	4.2	1.2	0.3	0.1	0.1	0.1
15—19	14.0	12.8	15.4	18.6	21.9	38.0	23.1	24.3	14.5	4.6	5.6
20—24	14.4	13.7	15.2	13.1	14.8	22.5	14.6	24.2	16.7	10.7	15.3
25—44	37.8	38.3	37.2	30.1	32.4	20.0	35.2	29.3	40.0	45.1	41.0
45—59	19.4	19.4	19.4	12.2	10.9	6.3	17.2	9.8	20.8	25.6	27.0
60—64	4.5	4.7	4.3	2.4	2.7	1.7	3.9	2.6	4.2	6.4	6.0
65—69	3.3	3.6	2.9	2.3	2.2	2.1	2.9	2.3	2.6	4.6	3.5
70—74	1.7	2.2	1.2	2.4	1.4	2.6	1.1	2.2	1.0	2.0	1.1
75 +	1.2	1.6	0.7	2.8	1.0	2.7	0.8	1.1	0.3	1.0	0.5
Total (%)	100	100	100	100	100	100	100	100	100	100	100
N	147089	82244	64845	16678	17514	8527	14822	7930	10259	49109	22250
%	100	55.9	44.1	11.3	11.9	5.8	10.1	5.4	7.0	33.4	15.1

Source: 1. *The Labour Market 1980*. The Economic Development Institute, Reykjavík 1982.

Notes: 1/4 = 1—13 work-weeks; 1/2 = 14—26 work-weeks; 3/4 = 27—39 work-weeks; 1/1 = 40—52 work-weeks. M = men; W = women.

per cent. The share of women in part-time working was, on the other hand, larger than of men working between 14-26 and 27-39 weeks; 10.1 and 7.0 per cent against 5.8 and 5.4 per cent. However, the shares of both sexes were almost equal among those working less than 14 weeks in 1980, i.e., 11.3 per cent and 11.9 per cent respectively of the total work force.

The breakdown of the economically active population by age and sex in 1980 provides some indications about the limits of the analysis of the Icelandic class structure presented in this chapter. This can be illustrated by pointing out that the analysis for 1980 is based on 99,059 man-years instead of 147,089 individuals, which is a difference of 48,030 units. Analyses based on these different criteria may possibly result in two differing class distributions. The data did not, however, enable us to link the number of man-years directly to the number of individuals in each class category.

6.4.3 Decomposition of each “class” by industry

During the research period the size of each class has varied considerably from one industry to another. This is not only due to different shares of the industries in total employment, but also to considerable differences in the size distribution of firms and other establishments in the economy. In the analysis

which follows we are, however, only concerned with a breakdown of each class category by sector and industry.

Employers

By defining employers as all those who hire employees we observe in Table 6.5 that until the 1960s the majority of them constituted agricultural employers, i.e., farmers. In the censuses of 1930, 1940 and 1950 their share within the category was about 65 per cent, it was down to 51.5 per cent in 1960, and since then their share has declined rapidly and was estimated at 12.8 per cent in 1980. In absolute numbers this is a decline in the total number of farmers as employers from about 4000 between 1930 and 1950 to below 1000 in the early 1980s.

As shown in section 6.3.1, employers have both declined in number and proportion of all economically active during the research period. Besides, the shift in employment within this class has been from the extractive industries to the transformative industries and services. Thus employers have declined in number in the agricultural and fishing industries, in the transport industry their number has remained almost the same, but in all other industries their number has increased, especially during the 1960s and 1970s. Proportionally, the developmental trends are very similar. In the agricultural and fishing industries the share of employers has declined, it has remained about the same in the transport industry, but in all other industries their share has increased, and most markedly in the construction industry, commerce and trade, and other services. Table 6.5 shows that the share of the transformative sector increased from 10.1 per cent in 1930 to 36.5 per cent in 1980. And in the service sector the ratio also increased from 12.1 per cent in 1930 to 48.9 per cent in 1980. In both these sectors the major increase was during the 1960s and 1970s.

Petty Bourgeoisie

The most striking thing about the petty bourgeoisie is that its members in agriculture (farmers) doubled in number during the 1950s, i.e., from 1921 in 1950 to 4053 in 1960, after their number had declined considerably during the 1940s. This is primarily due to the reduction of farmers as employers during the 1950s. The agricultural industry became less labour intensive due to the mechanization of the production, and therefore people moved increasingly to urban areas where their labour power was needed in the expanding transformative and service sectors. Thus many farmers became members of the petty bourgeoisie according to our definition of that class.

As regards other industries than agriculture, we see in Table 6.6 that the total number of petty bourgeois has declined only slightly in recent decades. Up to the 1960s the number of petty bourgeois in the fishing industry in-

Table 6.5. Distribution of employers by industry, 1930—1980. Absolute numbers and percentages.

Sectors and industries	Absolute numbers					Percentages				
	1930	1940	1950	1960	1980 ¹	1930	1940	1950	1960	1980
I. EXTRACTIVE	4541	4874	4378	2539	800	77.8	77.6	70.5	60.6	14.6
a. agriculture	3858	4096	4056	2156	700	66.1	65.2	65.3	51.5	12.8
b. Fishing	683	778	322	383	100	11.7	12.4	5.2	9.1	1.8
II. TRANSFORMATIVE	589	656	983	813	2001	10.1	10.4	15.8	19.4	36.5
a. fish processing	16	466	599	529	908	0.3	7.4	9.6	12.6	16.6
b. other manufact.	529					9.1				
c. electricity, etc.	—	—	—	—	—	—	—	—	—	—
d. construction	44	190	384	284	1093	0.7	3.0	6.2	6.8	19.9
III. SERVICES	707	764	849	838	2682	12.1	12.0	13.7	20.0	48.9
a. transportation	77	51	56	43	50	1.3	0.8	0.9	1.0	0.9
b. commerce & trade	584	514	546	524	1395	10.0	8.2	8.8	12.5	25.4
c. other services	46	188	247	271	1237	0.8	3.0	4.0	6.5	22.6
Total	5837	6283	6210	4190	5483	100	100	100	100	100

Sources: See Table 6.2.

Notes: 1. Figures for 1980 are estimated on basis of tax records for 1978 and labour statistics for 1980.

creased while their proportion remained almost the same, but in 1980 their number had declined as well as their share within the petty bourgeoisie as a whole.² The number of petty bourgeois in the transformative sector increased during the 1940s and 1950s, but from 1960 they have declined in number. Their share within the petty bourgeoisie was, however, very similar between 1940 and 1960, 17.6 per cent and 16.8 per cent respectively, and it was down to 11.4 per cent in 1980. Further, in Table 6.6 we observe that during the whole research period the share of the petty bourgeoisie in the fish processing industry, other manufacturing industries and the electricity branch has been declining while the share of petty bourgeois in the construction industry has increased, except in the 1960s and 1970s. In the service sector the number of petty bourgeois increased considerably during the 1940s in the transport industry and other services, i.e., personal services. In the 1950s the total number of petty bourgeois in services remained almost the same, while their ratio declined from 40.1 per cent in 1950 to 27.1 per cent in 1960. Since 1960 the labour statistics show that both the ratio and the number of petty bourgeois in services have increased slightly.

Middle Strata

The high number and ratio of non-manual employees in the extractive sector in 1930 and 1940 as displayed in Table 6.7 is due to some discrepancies in

Table 6.6. Distribution of the petty bourgeoisie by industry, 1930—1980. Absolute numbers and percentages.

Sectors and industries	Absolute numbers					Percentages				
	1930	1940	1950	1960	1980 ¹	1930	1940	1950	1960	1980
I. EXTRACTIVE	2854	2877	2027	4200	4073	66.7	67.2	40.4	56.1	58.3
a. agriculture	2762	2800	1921	4053	4011	64.6	65.4	38.3	54.2	57.4
b. fishing	92	77	106	147	62	2.1	1.8	2.1	1.9	0.9
II. TRANSFORMATIVE	900	751	978	1254	800	21.0	17.6	19.5	16.8	11.4
a. fish processing	881	634	786	728	450	20.6	14.8	15.7	9.7	6.4
c. electricity, etc.										
d. construction	19	117	192	526	350	0.4	2.7	3.8	7.0	5.0
III. SERVICES	523	651	2016	2028	2118	12.2	15.2	40.1	27.1	30.3
a. transportation	135	180	1123	1266	1568	3.2	4.2	22.4	16.9	22.4
b. commerce & trade	224	199	269	335	250	5.2	4.7	5.3	4.5	3.6
c. other services	164	272	624	427	300	3.8	6.3	12.4	5.7	4.3
Activity not reported	—	—	1	—	—	—	—	0.01	—	—
Total	4277	4279	5022	7482	6991	100	100	100	100	100

Sources: See Table 6.2.

Notes: 1. Figures for 1980 are estimated on basis of tax records for 1978 and labour statistics for 1980.

classifying several occupational groups compared with later censuses and the labour statistics for 1980. Ships' navigators, engineers and deck officers, for instance, were classified as non-manual employees and thus belonging in the middle strata, while in later censuses they were predominantly classified as wage earners and are consequently treated as workers in the analysis of the class structure after 1940. The increase in the number of the members of the middle strata in the fishing industry from 1960 to 1980 reflects, on the other hand, the growing bureaucratization within that industry.

During the research period the middle strata has both increased in number and proportion in the transformative sector and the service sector. The ratio of the middle strata in the transformative sector increased from 4.3 per cent in 1930 to 13.7 per cent in 1980. The members of this strata almost tripled in number during the 1960s and 1970s, i.e., from 1,785 in 1960 to 4,875 in 1980. In services the share of the middle strata increased from 77.3 per cent in 1930 to maximally 87.6 per cent in 1960, and in 1980 the ratio was 81.9 per cent. The members of the middle strata belonging in other services also almost tripled in number during the 1960s and 1970s, i.e., from 6,049 in 1960 to 17,124 in 1980.

Table 6.7. Distribution of the middle strata by industry, 1930—1980. Absolute numbers and percentages.

Sectors and industries	Absolute numbers					Percentages				
	1930	1940	1950	1960	1980	1930	1940	1950	1960	1980
I. EXTRACTIVE	1052	1177	459	186	1542	19.4	14.5	4.2	1.2	4.3
a. agriculture	175	169	33	26	70	3.2	2.1	0.3	0.2	0.2
b. fishing	877	1008	426	160	1472	16.2	12.4	3.9	1.0	4.1
II. TRANSFORMATIVE	233	534	1284	1785	4875	4.3	6.4	11.8	11.2	13.7
a. fish processing	.	.	83	.	618	.	.	0.8	.	1.7
b. other manufact.	214	465	854	1393	2727	3.9	5.7	7.8	8.8	7.7
c. electricity, etc.	.	.	210	254	537	.	.	1.9	1.6	1.5
d. construction	22	59	137	138	993	0.4	0.7	1.3	0.9	2.8
III. SERVICES	4145	6431	9099	13908	29066	76.3	79.1	83.6	87.6	81.9
a. transportation	508	598	1380	1843	3079	9.4	7.4	12.7	11.6	8.7
b. commerce & trade	2065	2528	3906	6016	8863	38.0	31.1	35.9	37.9	25.0
c. other services	1572	3305	3813	6049	17124	28.9	40.6	35.0	38.1	48.2
Activity not reported	—	—	41	—	—	—	—	0.4	—	—
Total	5430	8132	10883	15879	35483	100	100	100	100	100

Sources: See Table 6.2.

Working Class

The main shift in employment within the working class has been from the extractive sector to the transformative sector, and in recent decades also towards the service sector. According to Table 6.8, workers in the extractive sector were 58.7 per cent of the whole class in 1930 and their ratio had declined to 9.6 per cent in 1980. Agricultural workers declined from 40.1 per cent in 1930 to 2.3 per cent in 1980 and workers in the fishing industry from 19.6 per cent to 7.3 per cent in 1980. The share of workers in the transformative sector increased from 28.0 per cent in 1930 to 55.5 per cent in 1980. From the 1950s the share of workers in that sector has remained almost constant, but at the same time the shift in employment within the transformative sector has been towards the fish processing industry. The ratio of manual service workers in the service sector has likewise increased considerably since 1950, especially in other services. In 1930 their share was 13.3 per cent and it had risen to 34.9 per cent in 1980, and in other services their ratio increased from 7.0 per cent in 1950 to 24.7 per cent in 1980.

Taken together, Table 6.8 displays clearly the transformation of a relatively undifferentiated group of workers, i.e., consisting mostly of agricultural workers and fishermen, into a highly differentiated working class. Extractive workers in rural areas declined in number while the share and number of vari-

Table 6.8. Distribution of workers by industry, 1930—1980. Absolute numbers and percentages.

Sectors and industries	Absolute numbers					Percentages				
	1930	1940	1950	1960	1980	1930	1940	1950	1960	1980
I. EXTRACTIVE	15614	15426	12463	5384	4589	58.7	52.2	35.2	14.8	9.6
a. agriculture	10664	9876	7178	791	1090	40.1	33.4	20.3	2.2	2.3
b. fishing	4955	5550	5285	4593	3499	18.6	18.8	14.9	12.6	7.3
II. TRANSFORMATIVE	7453	9445	16931	19795	26546	28.0	31.9	47.8	54.6	55.5
a. fish processing	2757	1737	2865		8026	10.4	5.9	8.1		16.8
b. other manufact.	3434	5019	8332	13875	12123	12.9	17.0	23.5	38.2	25.4
c. electricity, etc.		153	564	385	223		0.5	1.6	1.1	0.5
d. construction	1262	2536	5170	5535	6174	4.7	8.6	14.6	15.3	12.9
III. SERVICES	3543	4709	6007	11101	16686	13.3	15.9	17.0	30.6	34.9
a. transportation	2558	3266	2446	2137	2050	9.6	11.0	6.9	5.9	4.3
b. commerce & trade	677	760	1064	1737	2840	2.5	2.6	3.0	4.8	5.9
c. other services	223	667	2485	3717	11796	0.8	2.3	7.0	10.2	24.7
Activity not reported	85	16	12	3510	—	0.3	0.1	—	9.7	—
Total	26615	29580	35401	36280	47821	100	100	100	100	100

Sources: See Table 6.2.

Table 6.9. Distribution of domestics and family workers by location, 1930—1980. Absolute numbers and percentages.

Location	Absolute numbers					Percentages				
	1930	1940	1950	1960	1980	1930	1940	1950	1960	1980
Domestics	5485	4247	1832	872	...	100	100	30.1	20.2	...
a. in urban areas	3677	2771	...	...	...	67.0	65.2	...	...	...
b. in rural areas	1808	1476	...	...	...	33.0	34.8	...	...	...
Family workers	...	...	4247	3437	3281	...	...	69.9	78.9	100
a. in urban areas	...	...	264	123	...	...	...	4.3	2.9	...
b. in rural areas	...	...	3983	3314	...	...	...	65.5	76.9	...
Total	5485	4247	6079	4309	3281	100	100	100	100	100

Sources: See Table 6.2.

ous categories of workers increased in urban centres. Thus, most of the working class became concentrated in areas where the manufacturing industries and services are located.

Other Categories

Outside the four main classes we have placed two groups under the heading other categories, i.e., domestics and family workers. The basic reason for do-

ing so is that these groups are considered more characteristic of the traditional society than the modern society. In other words, they characterize more a mode of production which is not determined by the laws of the market economy.

It is, however, very problematic to treat family workers in farming as members of other categories, especially in view of recent societal developments. Family farming characterized the traditional society and in Iceland, as in many other countries, the family has remained the basic unit of production in agriculture throughout the process of capitalist industrialization. But since labourers have almost vanished from the countryside the family as a whole is playing a more active role than before in the direct production for the market. For that reason and the fact that work in farming has become less differentiated than in the early stages of capitalist development, one could claim that it is more logical to view all economically active family members as belonging in the very same class.

6.5 Some Characteristics of the Class Structure in 1980

6.5.1 Class structure and type of industry

The class distribution varies widely in different industries of the economy. According to Table 6.10, employers had their largest share in the construction industry in 1981 with 12.7 per cent, followed by personal services, 11.7 per cent, and commerce and trade, 10.5 per cent. The petty bourgeoisie was typically at its largest in agriculture and transportation, with 43.8 per cent and 23.2 per cent respectively. The middle strata had its largest share in commerce and trade with 66.4 per cent, followed by personal services, 58.4 per cent, and public service, 55.1 per cent. The working class was at its largest in the manufacturing industries with 79.5 per cent, followed by the construction industry, 71.7 per cent, and the fishing industry, 68.2 per cent.

In Table 6.10 we also observe that the distribution within each class varies considerably from one industry to another. In 1980 employers were at their largest in commerce and trade where 25.4 per cent of them were located, followed by 22.6 per cent in personal services, and 19.9 per cent in the construction industry. Most of the petty bourgeoisie were engaged in agriculture, 57.4 per cent, followed by transformation, 22.4 per cent. The middle strata had its largest share in public service, 30.8 per cent, followed by commerce and trade, 25.0 per cent, and personal services, 17.3 per cent. The working class was at its largest in manufacturing industries, 42.6 per cent, followed by public service, 18.7 per cent, and the construction industry, 12.9 per cent.

Table 6.10. The class structure by industry in 1980. Percentages.

Class	1	2	3	4	5	6	7	8
	Agri- culture	Fishing	Manuf. industries, Elect.	Construction industry	Trans- portation	Commerce & trade	Public service	Personal services, Entertainment
Employers	7.6	1.9	3.5	12.7	0.7	10.5	—	11.7
Petty bourgeoisie	43.8	1.2	1.8	4.1	23.2	1.9	—	2.8
Middle strata	0.8	28.7	15.2	11.5	45.6	66.4	55.1	58.4
Workers	11.9	68.2	79.5	71.7	30.4	21.3	44.9	27.1
Other categories	35.9	—	—	—	—	—	—	—
SUM	100	100	100	100	100	100	100	100
N (man-years) =	9152	5133	25612	8610	6747	13348	19870	10587
Employers	12.8	1.8	16.6	19.9	0.9	25.4	—	22.6
Petty bourgeoisie	57.4	0.9	6.4	5.0	22.4	3.6	—	4.3
Middle strata	0.2	4.1	10.9	2.8	8.7	25.0	30.8	17.3
Workers	2.3	7.3	42.6	12.9	4.3	5.9	18.7	6.0
Other categories	100.0	—	—	—	—	—	—	—
TOTAL (%)	9.2	5.2	25.9	8.7	6.8	13.5	20.1	10.7
								100

Sources: 1. *The Labour Market 1980*. The Economic Development Institute, Reykjavík 1982.

2. *Industry Reports 1979*. The National Economic Institute Iceland, Reykjavík 1983.

Table 6.11. Class distribution and regional differences in 1980. Percentages.

	Reykjavik 1	REGION						
		Southwest 2	West 3	West-fjords 4	Northwest 5	Northeast 6	East 7	South 8
Employers	7.6	7.8	23.6	18.3	32.0	18.0	24.7	26.8
Petty bourgeoisie	46.2	39.4	26.3	23.2	21.7	28.5	24.1	25.3
Middle strata	(9.0)	(10.3)	(9.0)	(6.9)	(6.1)	(9.3)	(7.7)	(8.3)
— managers & prof.	(37.2)	(29.1)	(17.3)	(16.3)	(15.6)	(19.2)	(16.4)	(17.0)
— others								
Workers	46.2	52.8	50.1	58.5	46.3	53.5	51.2	47.9
SUM	100	100	100	100	100	100	100	100
N (man-years) =	34616	21902	6695	4846	4932	11103	6024	8941
SUM								
Employers	18.4	12.0	11.1	6.2	11.1	14.0	10.4	16.8
Petty bourgeoisie	45.1	24.3	5.0	3.2	3.0	8.9	4.1	6.4
Middle strata	(35.2)	(25.5)	(6.8)	(3.8)	(3.4)	(11.6)	(5.3)	(8.4)
— managers & prof.	(48.4)	(24.0)	(4.4)	(3.0)	(2.9)	(8.0)	(3.7)	(5.7)
— others								
Workers	32.4	23.4	6.8	5.7	4.6	12.0	6.2	8.7
TOTAL (%)	34.9	22.1	6.8	4.9	5.0	11.2	6.1	9.0
SUM								

Source: *The Labour Market 1980*. The Economic Development Institute, Reykjavík 1982.

Note: Economically active women in agriculture (3281) belong here in the category of employer/petty bourgeoisie and independent driver-owners (1500) are classified as workers (see Table 6.2).

6.5.2 Regional differences in the class structure

The data did not allow us to distinguish between employers and petty bourgeois by region. And therefore they constitute together one category in the following analysis of regional differences in the class structure. This has as a consequence that employers and petty bourgeois had their largest share in regions where farmers are numerous. According to Table 6.11, their share was 32.0 per cent in the Northwest region, followed by the East region with 24.2 per cent, and the West region, 23.6 per cent. The middle strata was at its largest in the capital and other big urban centres, i.e., 46.2 per cent in Reykjavík and 39.4 per cent in the Southwest region. The ratio of managers and professionals was, however, very similar from one region to another, while other members of the middle strata were largely concentrated in Reykjavík and other large towns. The share of the working class was very similar within the regions or from 46.2 per cent in Reykjavík to 58.5 per cent in the West-fjords region.

Table 6.11 also displays the distribution within each class by region. In 1980 employers and petty bourgeois were at their largest in Reykjavík, where 18.4 per cent of them were located, followed by 16.8 per cent in the South region, and 14.0 per cent in the Northeast region. About 70 per cent of all members of the middle strata were living in Reykjavík and other urban centres in the Southwest region. And more than 55 per cent of all workers were located in that same area.

6.5.3 Class distribution in the private sector and the public sector

A considerable part of the Icelandic work force are public employees, i.e., employed by the state or the local governments. They comprised 23.8 per cent of the total work force or 27.8 per cent of the total number of employees in 1980. The figures in Table 6.12 do not include, however, employees of the state banks nor employees of various companies owned by the state or the local governments. Besides, as a result of the increased governmental interference in the economy, the central and local authorities have in recent decades become big shareholders in many firms. Thus, we can assume that between 30 and 35 per cent of the total work force could be classified as public employees.

The middle strata had a larger share of the public sector than of the private sector, i.e., 56.6 per cent and 29.3 per cent respectively. In Table 6.12 we see that this applies equally for managers & professionals as for other members of the middle strata. Among workers, the relationship is the opposite. Their share of the public sector was 42.8 per cent while it was 52.0 per cent of the private sector.

Table 6.12. Class distribution in the private sector and the public sector. Man-years and percentage.

Class	Private Sector		Public Sector ¹		TOTAL	
Employers	14132	18.7	123 ²	0.5	14255	14.4
Petty bourgeoisie						
Middle strata	22148	29.3	13335	56.6	35483	35.8
— managers & prof.	(4318)	(5.7)	(4524)	(19.2)	(8852)	(8.9)
— others	(17830)	(23.6)	(8811)	(37.4)	(26631)	(26.9)
Workers	39234	52.0	10087	42.8	49321	49.8
TOTAL	75514	100	23545	100	99059	100
In percentages	76.2	—	23.8	—	100	—

Source: The Labour Market 1980. The Economic Development Institute, Reykjavík 1982.

Notes: 1. The public sector includes: branches of electricity and hot water supply (41) and water supply (42); construction and repair work by public authorities (52); postal and telecommunication services (72); and government services (91, 92, 93).

2. This figure is most likely due to mistakes in the classification of the data. Economically active women in agriculture (3281) belong here in the category of employers/petty bourgeoisie and independent driver-owners (1500) are classified as workers (see Table 6.2).

6.5.4 Class and the sexual division of labour

The class structure looks quite different for men and women. The share of employers and petty bourgeois was larger among men than women, 16.7 per cent and 10.6 per cent respectively. In contrast, the proportion of the middle strata was larger among women, 41.1 per cent, than among men, 32.6 per cent. But, as shown in Table 6.13, the share of managers & professionals was larger among men than women, 11.1 per cent and 5.4 per cent respectively, while the share of other members of the middle strata was much larger among women, 35.7 per cent, than among men, 21.5 per cent. At a first glance the working class seems almost equally divided between men and women. In 1980, 50.7 per cent of men belonged to the working class and the comparable ratio for women was 48.3 per cent. This illusory equality between the sexes vanishes completely, however, if we look at the two subcategories within the working class. The percentage of skilled workers (craftsmen) was larger among men; 13.7 per cent as compared to 1.0 per cent for women. Unskilled workers were 37.0 per cent of all men economically active whereas their ratio among women was 47.3 per cent.

Taken together, Table 6.13 indicates that women are concentrated in unskilled manual jobs and non-manual clerical, sales and service work, while men are predominant in categories such as employers, small commodity producers, managers, professionals, supervisors, foremen, technicians and craftsmen.

Table 6.13. Men and women in different class locations in 1980. Percentages.

	Employers 1	Petty bourgeoisie 2	MIDDLE STRATA 3	Managers & professionals 3a	Other 3b	WORKERS 4	Skilled workers 4a	Unskilled workers 4b	TOTAL
Men	72.4		56.9	(77.4)	(50.0)	63.5	(95.7)	(56.5)	62.4
Women	27.6		43.1	(22.6)	(50.0)	36.5	(4.3)	(43.5)	37.6
SUM	100		100	(100)	(100)	100	(100)	(100)	100
Men	16.7		32.6	(11.1)	(21.5)	50.7	(13.7)	(37.0)	100
Women	10.6		41.1	(5.4)	(35.7)	48.3	(1.0)	(47.3)	100
N (man-years) =	14255		35483	(8852)	(26631)	49321	(8850)	(40471)	99059

Source: *The Labour Market 1980*. The Economic Development Institute, Reykjavik 1982.

Note: See Table 6.2 note 2.

6.5.5 Class and Working Hours

The work load in Iceland has for decades been extremely high compared with many other countries. Figures from the so-called Wage Investigation Committee show that the average work week for most workers was over 50 hours during the 1970s.³ The data from the study on the labour market in 1980 was used in the report from the Economic Development Institute to estimate the average working hours of different categories of employees. This was done by adapting the data base to the sample which is regularly used by the Wage Investigation Committee to find out the actual working hours of the members of the Icelandic Confederation of Trade Unions (ASÍ). This sample contains all industries and branches of industry except agriculture, the fishing industry, the aluminium industry, the ferro-silicon industry, and postal & telecommunication services.

Employees in all industries except banking regularly put in some overtime in 1980. Working time exceeding a standard day or week was most frequent in the fish processing industry, the paper-product industry, the construction industry, and in sanitary and similar services. Men work longer hours than women in all industries. The average working hours for men in 1980 were from 39 hours in banking to 51 hours in the construction industry. For women, on the other hand, the average working hours were from 31 hours in public service to 41 hours in several industries.

Table 6.14 displays the average working hours of three class categories of men in all industries (except these mentioned above) and in all parts of the country. Skilled workers worked on the average from 44 hours per week in

Table 6.14. The average working hours of three class groups by region in 1980. Men only.

Region	MIDDLE STRATA (other than managers & professionals)	WORKERS		TOTAL
		Skilled workers	Unskilled workers	
Reykjavík	41	44	46	44
Southwest	43	58	48	48
West	46	50	50	49
West-fjords	41	44	46	46
Northwest	40	48	49	47
Northeast	42	48	48	46
East	44	55	48	48
South	42	46	42	43
TOTAL	41	44	46	44

Source: The Labour Market in 1980. The Economic Development Institute, Reykjavík 1982.

the Reykjavík area up to 58 hours in the Southwest region, and unskilled workers from 42 hours in the South region up to 50 hours in the West region. Members of the middle strata other than managers & professionals worked from 40 hours in the Northwest region up to 46 hours in the West region. Taking these class categories together we observe that the average working hours by region were from 43 hours in the South region up to 49 hours per week in the West region.

6.5.6 Class and second jobs

Iceland is not only characterized by long working hours. Various sources indicate that many people also have a second job or are engaged in some kind of economic activity besides their regular work. According to the census of 1940, 12.8 per cent of the work force had a second job; 15.4 per cent of all men and 6.9 per cent of all women. By 1950, 9.8 per cent of the economically active population had a second job; 12.2 per cent of all men and 3.8 per cent of all women. One study on the health and social situation of the urban male population confirms that this proportion among men was up to 36.3 per cent in the 1960s.⁴ More recent studies such as the industry reports from the National Economic Institute indicate that this ratio has presumably not declined during the 1970s. Statistics from 1981 show, for instance, that the total number of individuals receiving income from wage employment was 254,063 which means that many employees received their total income from more than one source.⁵

Furthermore, one can even claim that many individuals may belong simultaneously in two different classes, i.e. not "objectively torn between classes", as Wright would say, but that they are in fact at the same time objectively in more than one class. Common examples are workers that besides their regular wage employment are engaged in some kind of small commodity production or various services on their own account. The data on the labour market in 1980, unfortunately, do not contain any breakdown of this group by class nor by industry.

6.6 The Class Structure in 1980 According to Erik Olin Wright's Model

6.6.1 Conceptual framework

Erik Olin Wright's contribution to class theory should primarily be understood as a reaction against the "simple polarization" view of classes and various conceptions of old and especially new middle classes. The simple polarization conception is, for instance, considered inadequate for understanding concrete capitalist societies of today because important dimensions of social relations of production need not perfectly coincide in actual units of production. Moreover, recent approaches to the new middle classes are criticized for making the erroneous assumption that all positions in the class structure must fall within one class only. Wright deals instead with positions in the class structure by distinguishing between basic class locations and contradictory locations within class relations. This means, according to Wright, that the class interests of those that occupy the latter locations are "objectively torn between classes". In other words, they are in a sense simultaneously in two classes.

Wright's theory, to be more specific, is that within a class structure one can generally draw distinctions between three kinds of locations: (1) basic class locations; (2) contradictory class locations within a mode of production; and (3) contradictory locations between modes of production. The second and third of these are grouped by him under a more general heading, i.e., contradictory locations within class relations. All basic class locations within a given mode of production are defined by a complete polarization on dimensions of appropriation and domination, while contradictory locations specify situations in which such complete polarization is absent.

As regards concrete capitalist societies, Wright bases his analysis on an ideal typical conception of society where the capitalist social formation is seen as an articulation between a capitalist mode of production and a petty bourgeoisie or pre-capitalist mode of production. The latter mode of production is characterized by simple commodity production for the market by self-employed producers that employ no workers, and involves therefore no relation of exploitation.⁶ The relation between capitalists and workers within this framework is, on the other hand, conceptualized as a relation of exploitation. The main features of Wright's class structure scheme are illustrated schematically in Figure 6.1.

In his earlier works, Wright separated between three interconnected dimensions of social relations of production to determine positions in the class structure.⁷ These dimensions are as follows:

1. *Control over money capital*, i.e., control over the flow of investments and the capital accumulation process.

Capitalist Mode of Production

Pre-capitalist Mode of Production

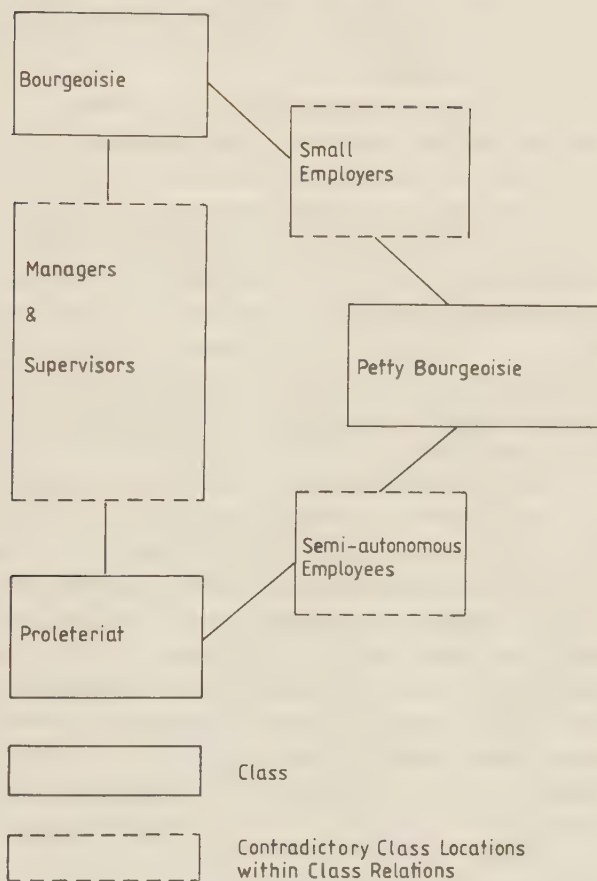


Figure 6.1. Wright's Class Structure Scheme.

2. *Control over physical capital*, i.e., control over the physical means of production.
3. *Control over labour*, i.e., control over supervision and discipline within the labour process.

All these dimensions of production relations are claimed to be, in effect, relations of exploitation because the appropriation of surplus labour is seen as a consequence of control or domination over investments, physical capital, and labour. This means that class relations are defined by those appropriation

relations which are simultaneously relations of domination. In later publications Wright has further modified his class structure typology which, as concerns the capitalist mode of production, includes three relations of appropriation and one of domination.⁸ Besides, within the simple commodity production there are to be found two kinds of dimensions: ownership relations and domination relations (see Appendix I).

On these premises Wright's model distinguishes between three *basic class locations* in capitalist societies: capitalists, workers and petty bourgeois. The bourgeoisie, the capitalists, is that class which within appropriation relations owns the means of production and exploit workers, and which within dominant relations control the activities of workers within the process of production. The proletariat, the workers, is, on the other hand, defined as the class which is exploited within appropriation relations and subordinated within the dominant relations of production. But the petty bourgeoisie consists of producers that own and control their immediate means of production and directly use them without employing labour power. *Contradictory class locations within a mode of production* are locations such as those of managers and supervisors. They dominate workers and are at the same time exploited by capital. Managers and supervisors are in that way said to be simultaneously in two classes. Two kinds of *contradictory class locations between modes of production* are considered particularly important. First, the small employers that are seen as in contradictory class locations between the petty bourgeoisie and the capitalist class since they are direct producers that own their own means of production and at the same time exploit the labour power of others. Secondly, the category of semi-autonomous employees, which includes those that, like the petty bourgeoisie, have substantial control over their own work, but as workers they do not own their means of production nor do they control the labour of others.

6.6.2 Translation into Wright's class categories

The statistical material used in this study is obviously very difficult to translate into the conceptual space of Wright's class categories. It is particularly problematic to estimate the size of the working class, the category of managers & supervisors, and the semi-autonomous employees. Therefore, we try to estimate the distribution of the Icelandic labour force in 1980 by applying a two-fold method. First, sources such as the population censuses are utilized as much as possible for our purpose. Secondly, we make use of projects from the other Nordic countries which were explicitly designed to measure the class structure of respective countries on the basis of the model proposed by Wright. The estimated size of each class should for these reasons only be taken as broadly indicative.

The class categories have been operationalized in the following way:

Bourgeoisie: consists of those with at least 10 hired employees and control over investments, utilization of physical capital and other people's labour.

Small Employees: includes all self-employed direct producers with 1-10 hired employees and control over investments, utilization of physical capital and other's labour.

Petty Bourgeoisie: consists of those that hire no employees, have control over minor investments and physical capital, but not over other's labour.

Managers & Supervisors: employees that have control over physical capital and other's labour, and also often money capital.

Workers: employees with no control over investments, utilization of physical capital or other people's labour.

Semi-autonomous Employees: as for Workers, except that these employees have a substantial direction within the labour process.⁹

On the basis of this operationalization and the statistical material we can conclude that the capitalist class proper constituted less than 1 per cent of all economically active in 1980. And the proportion of capitalists in total employment has been declining for the past decades as a result of the tendency of capital units to increase in size and come under control of larger entities. This can be inferred from the ratio of employees to every employer. In 1930 there were, on the average, six employees to every employer, the ratio was almost the same in 1940 and 1950, but by 1960 it had risen to nine to one.¹⁰ Industry reports display further that the concentration in private employment has, in general, been more rapid in recent decades than between 1930 and 1960. Still, more than 80 per cent of all firms in most industries and branches of industry had less than 10 employees in 1979.¹¹ According to another source only 176 firms had more than 50 employees in 1980.¹² The claim is therefore that the indigenous bourgeoisie is a relatively small group and primarily located in certain industries and branches of industry such as the fishing and fish processing industries, various branches of manufacturing industries, and commerce and trade.

Small employers, i.e., hiring 1-10 employees and directly involved in production, have consequently been quite numerous within the class structure for a long time. On the basis of the data on size distribution of firms their share of the economically active population was estimated to be 5 per cent in 1980. The ratio of small employers has been declining as well as the proportion of capitalists, from 14 per cent in 1930, to 10 per cent in 1950, and it was 6 per cent in 1960. It should be noted that the estimates presented in Figure 6.2 do

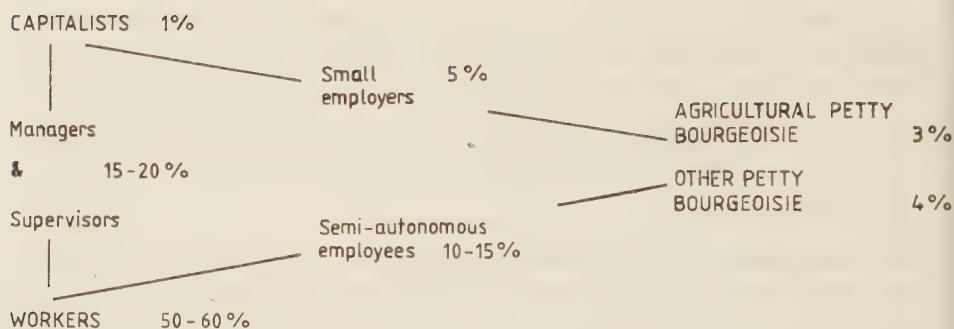


Figure 6.2. Distribution of the Icelandic labour force into classes in 1980. Percentages.

not contain the so-called other categories which are included in the main analysis of the Icelandic class structure.

The members of the petty bourgeoisie correspond to those that came under the same heading in sections 6.4 and 6.5. Thus they are a group of self-employed persons that do not hire any labour from outside their families. The share of the petty bourgeoisie in the total labour force in 1980 was 7 per cent, i.e., the agricultural petty bourgeoisie made up 3 per cent and the other petty bourgeoisie 4 per cent.

The sizes of the managers/supervisors class, the working class and the class of semi-autonomous employees are primarily estimated with regard to the preceding analysis in section 6.5 and several studies of the class structure in other Nordic countries.¹³ The share of managers & supervisors in total employment was estimated to 15-20 per cent in 1980. This assessment is based on the size of the category of managers and professionals in the labour market studies and statistics on the size distribution of firms. Concerning the latter sources, we have learned from the Nordic studies that the share of advisory managers is relatively high in small establishments as well as that the proportion of supervisory positions increases steadily with the size of the firm.¹⁴ The ratio of managers & supervisors is therefore not considered to be much lower in Iceland than in the other Nordic countries.

The size of the working class was estimated somewhere between 50 and 60 per cent of all economically active. Here not only industrial wage labourers, craftsmen and other non-manual workers are classified as workers but also non-manual clerical, sales and service workers. Further, the share of the semi-autonomous employees was expected to lie between 10 and 15 per cent of the total labour force in the 1980s. More than half of the semi-autonomous employees are employed by the state and the local governments in the other Nordic countries.¹⁵ In addition, since the share of the public sector in total

employment is lower in Iceland than in these countries, it is most likely that this applies equally to the proportion of semi-autonomous employees in the total labour force. Thus their size was estimated to be 10-15 per cent of the economically active population instead of the 15-20 per cent found in Sweden and Norway.

6.7 Main Conclusions

This chapter is an attempt to describe the development and the basic characteristics of the Icelandic class structure between 1930 and 1980. The data used in the analysis is primarily derived from official statistical material.

The analysis displays that the class structure has undergone considerable changes during the research period, especially as regards its composition. There is, however, no doubt that in many respects the class structure reflects certain basic characteristics of a semiperipheral country.

During the research period the capitalist class proper, i.e., those with 10 or more employees, has been very small and concentrated in certain industries and branches of industry, i.e., the fishing and fish processing industry, certain branches of manufacturing industries and commerce and trade. Thus, as Wallerstein claims, the bourgeoisie has been located in certain sectors of national economic activities, and it has also been smaller and even weaker than comparable groups in typical core countries. One can, nevertheless, argue that the state's role as financial supporter and guarantor has at least to some extent compensated for the weakness of the national bourgeoisie.

The share of the petty bourgeoisie in total employment has declined from 9 per cent in 1930 down to about 7 per cent in 1980, after its share had risen to 11 per cent during the 1950s. A part of the work force can also be regarded as semiproletarianized, but in two different ways. In addition to their regular work many workers are engaged in various kinds of small business, and some groups within the petty bourgeoisie work seasonally as workers, e.g. farmers. But our data has not allowed us to estimate the size and distribution of these groups. The only thing we can claim reliably is that they were more numerous in the first half of the research period than in the latter. In addition, our sources do not indicate that, as a whole, they have received in recent years less real income than fully proletarianized workers in Iceland. This was, however, most likely the case up to the 1960s.¹⁶

The proportion of the middle strata in total employment has increased successively during the research period, from 11.4 per cent in 1930 to 35.8 per cent in 1980. Non-manual workers such as clerks, sales and service workers

make up two-thirds of this increase and the professional sector for the remainder. Compared with the core countries, the number of scientific and technical professionals is lower in Iceland than in these countries. The main consequence being that certain groups within the professional sector have been able to withhold a privileged position in terms of real income due to their market position.

According to the research model, the working class made up well above 50 per cent of the work force up to 1980. Wright's model indicates that this was also the case in that year. But the composition of the working class has changed from a relatively undifferentiated group of workers—agricultural workers and fishermen—into a highly differentiated class concentrated in areas where the manufacturing industries and services are located. Thus, according to the research scheme and Wright's class model, the working class has been proportionally larger than in core countries, but not smaller as Wallerstein suggests is typical for semiperipheral countries. In terms of real income, measured as the amount of products which workers can buy for one hour's work, it is, however, evident that fully proletarianized workers in Iceland have received less than their counterparts in most core countries.

As we have seen above, our analysis to some extent supports Wallerstein's hypotheses, especially those which concern the national bourgeoisie and the professional sector. But his suggestions about the size of the sector of fully proletarianized workers and semiproletarianized workers are not relevant in the Icelandic context. This, in our view, being due to the fact that Iceland in many respects, as we saw in Chapter 4, assimilates to core countries rather than peripheral ones.

7.0 The Process of Class Formation

7.1 Introduction

The problematic formulation by Marx, in which processes of class formation are seen as a necessary transition from a "class-in-itself" to a "class-for-itself", has traditionally served as a theoretical basis for most Marxist analysis of class formation in concrete capitalist societies.¹ According to this distinction economic relations have the status of objective conditions and all other relations constitute a realm of subjective actions. Most contemporary Marxists, however, emphasize instead the need to think along lines in which economic, political, and ideological conditions jointly structure the realm of struggles that have as their effect the organization, disorganization, or reorganization of classes. Their claim is simply that classes must be viewed as effects of struggles by objective conditions that are simultaneously economic, political and ideological.²

On the basis of this modern understanding of the process of class formation, the distinction between class and class formation has been formulated as follows by Gösta Esping-Andersen:

"Marxists distinguish between class and class formation. The former refers to the objectively given "empty slots" (Przowski, 1975; Poulantzas, 1975; and Wright, 1978) which exist according to the capitalist division of labour regardless of how people who fill them actually behave as a class. The latter refers specifically to how the people, who fill the slots, develop a form of collective action, i.e., how members of a class engage in political struggle."³

In a similar way, traditional sociology distinguishes between the socio-economic position of individuals and how this is shown in political behaviour. The crucial difference is, however, that non-Marxist theory tends to reject the fundamental theories of surplus value and exploitation as well as objectively given contradictions, which has as consequences that concepts like class struggle are hardly found in its vocabulary. The emphasis is therefore rather on status dimensions than class.

The connection between a position of a country in the world economy and the political-economic tendencies in that country is never given and can change from one period to another. Historical examples demonstrate only that a roughly constant position has sometimes been associated with one pattern of conflict and conflict resolution. An example of this is found in South-

ern Europe where in the interwar years semiperipherality tended to generate types of social conflict that favoured fascist types of conflict resolution, while in the 1970s and 1980s it has tended to generate types of social conflict that favor democratic socialist types of conflict resolution.⁴ The meaning of concepts like semiperipherality is, in other words, historical, depending at any moment of history on a series of internal as well as external factors.

It is in this context that we must in order to complete our analysis of the patterns of societal development in Iceland undertake a study of the processes of class formation. In such a study the focus will be upon the development and organization of the labour market, party support and the electoral base of the main political parties, and different political-economic tendencies during the period of research.

7.2 The Organized Forces in the Labour Market

The major organized forces on the labour market are, on one hand, the labour unions and, on the other, the employers' associations. Further, the state and the communities are employers to nearly 30 per cent of all employees. The Federation of Labour (ASÍ) is by far the largest labour union in Iceland. In 1983 it included about 60,000 members and as many as 233 unions in 8 main federations. The Federation of State and Municipal Employees (BSRB) consisted of 17,590 members in 33 unions, the Association of University Graduates (BHM) of 5,500 members in 22 unions, the Federation of Officers at Sea (FFSÍ) of 2,800 members in 15 unions, and the Federation of Bank Employees of 2,970 members in 17 unions. Thus, the organized labour movement as shown in Table 7.1 consisted of totally 88,389 members in 320 unions.

On the opposite side of the bargaining table are firstly the Confederation of Icelandic Employers (VSÍ) and the Association of Co-operative Employers (VMS). The former included in 1984 totally just below 3000 members in 18 branch associations, 9 associations which covered more than one branch of industry, and 76 direct membership firms.⁵ The latter represented 60 firms, both cooperative firms and several limited-liability companies related to the cooperative movement.⁶ Secondly, there are the state and the local governments which negotiate about wages, working hours and other conditions of labour with state and municipal employees, who are almost entirely organized in the Federation of State and Municipal Employees and the Association of University Graduates. In general, however, the wage negotiations, in different combinations, take the form of collective bargaining and special negotiations with each union.

Table 7.1. Federations of Labour Unions in 1983.

Name	1 Date Established	2 Affiliated Unions	3 Membership (%)
Federation of Labour (ASÍ)	1916	233	67.3
Fed. of Factory Workers	1973	7	4.5
Fed. of Shop and Office Workers	1957	23	12.9
Fed. of Lorry Drivers	1953	32	0.9
Metal Workers and Shipwrights' Union	1964	23	2.8
Electricians' Union	1970	8	1.4
Fed. of Construction Workers	1964	18	2.5
Fed. of Seamen	1957	36	4.9
Fed. of Transport and General Workers	1964	53	29.4
Direct membership unions	..	33	8.2
Federation of State and Municipal Employees (BSRB)	19423	33	19.9
State employees' union	..	14	13.8
Municipal employees' unions	..	19	6.1
Association of University Graduates (BHM)	1958	22	6.2
Federation of Officers at Sea (FFSÍ)	1937	15	3.2
Federation of Bank Employees (SÍB)	1935	17	3.4
Total (N = 88.389)			100.0

Source: Statistical Bureau of Iceland.

7.2.1 The labour unions

The first unions of workers in Iceland were craft unions, established in the late nineteenth century.⁷ But craft unionism did not evolve to the same significance in the early days of Icelandic unionism as in many other countries. This is said to be mainly due to reasons such as the absence of a base in medieval guild organizations and the late development of the manufacturing industry.⁸

In 1906 the Reykjavík Seamen's Union and the Reykjavík General and Transport Workers Union, Dagsbrún (IGWU), were established. From its early days Dagsbrún has played a leading role within the labour movement. In 1916 the Federation of Labour (ASÍ) was founded. Along with its political arm, the Social Democratic Party (SDP), ASÍ acquired an industrial organizational base rather early. The Federation of Labour has represented workers organized in different unions throughout entire industries, such as fishing, dock labourers and other transport workers, fish processing workers, and workers in construction and manufacturing as well. And from the first

decades of its history the unions of unskilled manual workers constituted the majority of unions affiliated to the central federation.⁹

By 1983, craft unions and direct membership unions within the ASÍ represented about 22 per cent of its members, while close to 78 per cent were members of industrial unions, most of them covering different occupational grades across industries. Table 7.1 provides a further breakdown of the types, sizes and dates of establishment of the main union federations within the ASÍ. Most of these federations were established in the 1960s and the early 1970s on the basis of organizational proposals which a working committee put forward in 1960. In addition, five regional confederations, of which at least three founded in the 1920s, are still parts of the organizational structure of the ASÍ.¹⁰

In 1940 the formal union of the Social Democratic Party and the Federation of Labour was dissolved. From that time the composition of the central committee has reflected the strength of each political party within the unions, the main consequences being that each party has been represented in the central committee but that their influence has varied from one time to another. Now, in the mid-1980s, the leadership of the ASÍ is in the hands of the People's Alliance, the Independence Party and the Social Democratic Party. (For an account of the party system, see section 7.3.)

The Icelandic unions of salaried employees are, as also shown in Table 7.1, largely organized in four distinct federations: (1) The Federation of State and Municipal Employees (BSRB), which was established in 1942, covering the public sector, i.e., state and local government. (2) The Federation of Shop and Office Workers (LÍV), which was established in 1957, representing mainly unskilled employees in the private sector. (3) The Federation of Bank Employees (SÍB), which was established in 1935, covering employees in banking, and (4) the Association of University Graduates (BHM), which was established in 1958, representing professionals with academic degrees. The links to the political parties have so far not been as obvious as regards these unions as in the case of most unions within the Federation of Labour. The leading persons of LÍV and BHM tend, however, also to be active in the Independence Party.

The increase in membership seems to have been very rapid during the first decades of the labour unions. In 1920, about one-fifth of the manual workers in the country had joined unions, by 1930 it was 25 per cent, and in 1950 it had reached about 80 per cent.¹¹ It should be noted that the 1930 ratio correspond to 21 per cent of all non-agricultural employees.¹² It has further been shown that the growth of unionism continued almost unhindered and steadily through the Great Depression, and slowed down only towards the end of the thirties, being then just above 40 per cent. In the beginning of the 1940s the trend continued and received a boost due to the establishment of the Federa-

tion of State and Municipal Employees in 1942. Another factor which stimulated this development is suggested to have been the somewhat wide-ranging institutionalization of the union-shop arrangement.¹³

Today, in the mid-eighties, the density of union membership varies in some degree between different sectors of employment. The non-managerial grade in the public sector seems to be almost fully unionized. The degree of unionization among manual workers affiliated to the Federation of Labour, which was very high already by 1950, was in 1980 well above 90 per cent according to estimated sizes of the occupational groups in the labour market reports. But unionization of white-collar or salaried employees in the private sector is obviously by far the lowest and has recently been estimated to be in the region of 50 per cent.¹⁴

7.2.2 The employers' associations

In 1934 the Confederation of Icelandic Employers (VSÍ) was established. Employers' federations within some of the main industries had been founded earlier; The Association of Icelandic Stream Trawler Owners in 1916, Iceland Chamber of Commerce in 1917, and the Federation of Icelandic Manufacturers in 1932.¹⁵ It was thus not until capitalist development accompanied by the process of urbanization had reached a certain stage that there evolved conditions for establishing employers' associations. The economic situations during the 1930s and the growing strength of the labour unions influenced specifically the formation of their central organization. In 1938 the legal framework for collective bargaining was formally instituted but by 1930 most labour unions had, in practice, been granted bargain rights.¹⁶ So if it were only for that reason, employers as the other party in collective bargaining, simply had to organize themselves.

The Association of Co-operative Employers (VMS) was established as late as in 1951. Up to that time negotiations and other dealings between the cooperative movement and its employees had not been formally institutionalized. The main consequence was that over the years there had developed some disparities between the cooperative firms and from one part of the country to another. The central association was primarily founded to solve such problems.¹⁷ The other alternative to become a member of the Confederation of Icelandic Employers was not considered compatible with the basic aims of the cooperative movement since, by being members of that confederation, the cooperative firms would have to participate in all actions decided by its central direction, even though they might principally be against some of its conducts.¹⁸

In the 1929-44 period the Independence Party is claimed to have enjoyed

practically unanimous support from the social class of capitalists or employers, i.e., those individuals owning the means of production and employing labourers.¹⁹ From the very beginning, the Association of Co-operative Employers—as indeed the whole cooperative movement—has been closely linked to the Progressive Party. In recent years, however, the relations between the employers' organizations and the political parties have become diffused. Yet, various sources indicate that most of the larger employers tend predominantly to affiliate themselves either with the Independence Party or the Progressive Party.²⁰

7.3 The Political Parties

During the five decades which form the main period of analysis in this work, 1930-1980, the parliament, Althingi, generally consisted of four political parties. The Independence Party (IP), the Progressive Party (PP), the Social Democratic Party (SDP), and first the United Socialist Party (USP) and then its successor, the People's Alliance (PA). The coalition bargaining in the Icelandic legislature has thus mostly been a four actor game. Whereas in the interwar period the PP was the leading coalition actor, the IP has held that position in the postwar period. From the beginning of the 1970s the PP has further been in a pivotal position in the Althingi because a majority government has hardly been possible without its participation.

From 1942 to 1980 a fifth actor entered the Althingi twice, first the National Preservation Party (NNP) during 1953-1956 and then the Union of Liberals and Leftists (ULL) during 1969-1978. In addition, two new political parties came into the parliament in 1983, the Social Democratic Union (SDU) and the Women's List (WL). It remains, however, to be seen whether these two parties will become stable political forces or not.

7.3.1 The Independence Party (IP)

The Independence Party was established in 1929 and represents the clearest example of continuity with the party system which existed under the independence struggle.²¹ Then the Conservative Party (COP), founded in 1924, and the Liberal Party (LP), founded in 1926, united and formed the IP. The basic and enduring ideology of the IP has emphasized nationalism and unity of the whole nation, which is symbolized in slogans like "Class by Class" and earlier by "Iceland for the Icelanders". Nationalism and class cooperation were, as Kristjánsson points out, in the first decades of IP's history intertwined in this ideology:

“Nationalism implied the unity of the nation in obtaining and preserving its independence. This goal constituted the primary interests of all Icelanders. Consequently all other interests, such as those of different social classes were secondary and must be disregarded in the interest of the common good.”²²

In practice, however, during the whole research period the party united the liberal and conservative forces in the political system, devoting most of its activity to defence and security issues and to economic questions, where it defended traditionally conservative views. But the party line in social and economic policies has softened considerably in the postwar period. The *laissez-faire* liberal conservatism has gradually been replaced by welfare policies and the acceptance of the state's role in many spheres of society, such as in the fields of production and finance, and social security.

In the period from 1929 up to the beginning of the Second World War the IP was primarily an opposition party, which, of course, characterized its ideology and policies in many ways. In contrast with that time the IP has been the leading political actor during the postwar period. It has regularly led government coalitions and thus has been responsible for the state policy in most spheres of Icelandic society in the last decades. Being in that position the IP has in a way been forced to try to live up to its proclaimed image as an uniting national party.

The IP has strong support in all election districts, both in rural areas and in urban areas, and particularly in the capital, Reykjavik. It maintains also close connections with various interest organizations, such as the employers' associations, many labour unions and the farmers' organizations. In that way the IP has been able to unite a considerable working class following with bourgeois and agrarian supporters. The IP usually receives about 40 per cent of the valid votes and a comparable share of the seats in the Althingi. (See election statistics in Appendix II.)

7.3.2 The Progressive Party (PP)

The Progressive Party was formed in the Althingi in 1916 by a group of farmers who, outside parliament, were affiliated to the cooperative movement, the agricultural federations, and the Icelandic Youth Association. Its establishment was in fact the fourth attempt of farmers and supporters of cooperatives to form a stable political force to serve their interests, and rural interests in general. The electoral support of the PP coincided also with the strength and the development of the cooperative movement in respective districts, at least during the first decades of PP's history.²³

The ideology of the PP emphasized on the one hand the relations of the party to farmers and the cooperative movement where the cooperative enter-

prise was viewed as a definitive alternative to those economic forms advocated either by socialists or proponents of free enterprise. On the other hand, since the PP was almost exclusively a rural party, it represented a particular culture as much as economic interests. The party aimed to preserve the rural areas and the rural way of life against the urban way of life and the established power structure of society. The national heritage of Icelanders was indeed seen as embodied in the rural culture. In short, the ideology of the PP was a complicated and contrasting body of conservative as well as anti-establishment views. In the postwar period the PP has steadily sought to strengthen its central position in the party system.

In the period from 1917 to 1942 the PP was in government opposition for only three years, 1924—1927. And from the late 1920s to the middle of World War II the PP was the leading coalition actor. During that time the party cooperated with the SDP in government on the basis of their common stand against private enterprise and support of increased government regulation of the economy as well as of the cooperative movement and the labour unions, and other internal issues. In the postwar period the PP took over its role as the leading coalition actor, but the PP has during this time frequently participated in different governments and thus had considerable influences on the shaping of the state policy in most fields of government. From 1971 the PP has led three out of six governments which have come to power.

For nearly a quarter of a century the PP remained almost exclusively a rural agrarian party that did not put up parliamentary candidates in the towns. In the interwar period the urban constituencies were left to the SDP in accordance with an informal agreement concerning elections to the Althingi. But the growing urbanization forced the PP to seek the support of new voters and in 1942 the party for the first time put up candidates in all electoral districts. Up to the late 1970s the PP managed to attract considerable support in the towns. That trend seems, however, to have taken an opposite direction in recent elections. In the election to parliament in 1983 the PP got only one candidate elected in Reykjavík and none in Reykjanes, the constituencies in which half of the total population live. And in recent municipal elections the PP has also lost votes in most towns in comparison with its advance in the early 1970s.

The PP retains strong links to the farmers organizations and the Federation of Cooperative Societies, which has grown into the largest enterprise in the country. Further, the party has in recent decades tried to establish contacts with a number of other organizations in order to create new basis of support.

After the PP developed from a cadre party into a mass political party in the early 1930s its share of the valid votes has most often been about 25 per cent. The party's ratio of the seats in parliament has, on the other hand, been

well above that in most instances because the electoral laws have greatly favoured the rural areas. So whenever the electoral laws were debated or changed as in 1934, 1942 and 1950, the PP adopted the most conservative position of all the political parties. In recent elections to the Althingi, support for the PP has fluctuated considerably; from 24.9 per cent of the valid votes in 1974, down to 16.8 in 1978, up to 24.9 in 1979, and down to 18.5 in 1983.

7.3.3 The Social Democratic Party (SDP)

The Social Democratic Party was also established in 1916 and from that year until 1940 the SDP was formally the political arm of the Federation of Labour. Due to unfavourable electoral laws and other factors it was not until the late 1920s and in the 1930s, when capitalist development with the resulting urbanization had reached a significant stage, that the party obtained parliamentary strength to become an important actor in Icelandic politics. And despite its comparatively small parliamentary weight, the SDP was a major actor in Icelandic coalitions from the 1930s to 1971, mainly because of its pivotal position.²⁴

The smallness of the SDP is one of the significant features that distinguish the Icelandic party system from its Scandinavian counterparts. Four inter-related characteristics of its development have been put forward as tentative explanations. In the first place the SDP has suffered on several occasions from serious splits. In 1930 when the Communist Party (CP) was founded; in 1938 when the CP together with a SDP splinter group formed the United Socialist Party; in 1956 when the USP and a splinter group from the SDP formed the People's Alliance; and in 1982/1983 when a splinter group from the SDP founded the Social Democratic Union (SDU). Secondly, after the formal separation of the Federation of Labour from the SDP, the Social Democratic Party has gradually lost many of its leadership positions in the labour unions. Thirdly, the SDP has never made any inroads into rural areas, which throughout the research period have had larger representation in the Althingi than the urban ones; especially Reykjavík and other towns in the Southwest region. Finally, together with the stand on the NATO/USA base issue and the long partnership with the IP in the 1959-1971 coalition, the splits have brought the SDP in recent decades more to the centre-right of the Icelandic party spectrum.²⁵ However, it seems that the split in 1982/1983 along with many years in opposition and declining support has recently reversed this trend. The SDP policy in social and economic issues is now, in the mid-1980s, much more radical than it was in the 1970s and during those decades when the party was almost constantly participating in government.

Due to the privileges of the rural areas the SDP has throughout its history

been underrepresented in the Althingi, especially during the interwar period. In the 1944-1971 period the SDP usually received about 15 per cent of the valid votes, but since the early 1970s it has experienced fluctuating and unstable support. In 1971 it received 10.5 per cent of the votes, 9.1 per cent in 1974, 22.0 per cent in 1978, 17.5 per cent in 1979, and 11.7 per cent in 1983. The party's share in 1978 was its largest in its entire history and most likely reflected the unpopularity of the sitting two-party government of the IP and the PP. In that year people voted simply for a change rather than becoming permanent voters of the SDP.

7.3.4 The United Socialist Party and The People's Alliance (USP and PA)

Since the late 1930s the United Socialist Party and the People's Alliance have one after the other constituted the left-polar actor on the Icelandic party continuum. The USP was founded in 1938 after an attempt by the Communist Party (CP) to create a popular front with the social democrats had failed. Then a SDP splinter group decided to join the CP in establishing the USP. In 1956 the USP together with a leftwing splinter group from the SDP formed an electoral alliance called the People's Alliance. Later, in 1963, the National Preservation Party joined the PA and in 1968 the PA became formally organized as a mass political party resulting in the simultaneous formal dissolution of the USP and the formation of the Union of Liberals and Leftists.²⁶

The USP declared in its first party program that Icelandic socialists should choose the parliamentary road to power, aim at achieving an Icelandic form of socialism, and break off all relations that the CP had with the Third International and the Komintern. Nationalism has, on the other hand, been a central theme in the ideology of the USP and the PA, especially as regards the resistance to all foreign influence. The campaign against the NATO membership and the USA base has thus symbolized the necessity of fighting constantly for the independence of the country. In recent years the PA has further emphasized the preservation of cultural values, radical environmental policies and rights of minority groups.

In most elections during the postwar period the USP/PA has received between 16 and 19 per cent of the valid votes and from 1944 has participated in five different coalitions; 1944-1947, 1956-1958, 1971-1974, 1978-1979, and 1980-1983. Strong labour union support, multigroup characteristics and the struggle against the USA base are presumably among the main explanations for the unique electoral success of the party, i.e., if we compare Iceland with its neighbouring countries. Nonetheless, a comparison with the democracies in Southern Europe seems more relevant in this context, because similar left-

polar parties in France, Italy and Spain regularly get a large share of the votes in these countries.

In 1980 the PA joined the PP and several members of the IP in forming a coalition government led by the vice-chairman of the IP. The PA agreed then that while the government was in power the existing situation in security and defence issues should remain unchanged. As a consequence of this decision and along with other developmental trends, Icelandic politics have again increasingly centred on internal issues, such as disputes over welfare and economic policies, which are currently becoming more central in the political debate than the opposite views towards the NATO and the USA base in Keflavík. At the very same time the PA seems to be running out of issues to mobilize its supporters and new voters, whereas the new parties—the Social Democratic Union and the Women's List—are increasingly defining the content of current politics and appealing to discontented voters.

7.4 Political-Economic Tendencies

From the time when the prevailing party system emerged 50-60 years ago three periods characterized by different political-economic convergences can broadly be distinguished. The first is the interwar period when internal issues dominated Icelandic politics, the second is in the postwar period when security and defence cleavage played a fundamental role in all political life, and the third which has appeared in recent years where problems of the welfare state and general economic policies seem to become the most decisive factors in the complex processes of class formation.

7.4.1 The interwar period

In the interwar period, class politics replaced politics of independence, which had dominated Icelandic politics from the first half of the eighteenth century. Instead of differences in methods of struggling for independence, politics became characterized by conflicts between the new class parties in a number of economic and social issues, the most important issues being economic policy, ownership of the means of production, organization of the society, and collective bargaining.

After World War I Great Britain and some other countries returned to the gold standard as the basis of their general economic policy. This was claimed to be the best way to attain stability and prosperity, and to secure the economic improvements that had taken place after the war. When the Conser-

vative Party (COP) came to power in Iceland in 1924 the government directed its efforts towards similar policy goals as the Conservatives in Britain. According to this economic policy, improvements in foreign trade should be used to revalue the Icelandic krona. And after two prosperous years—1924 and 1925—the government used the opportunity in October 1925 to revalue the krona, i.e., up to its pre-war standard or 81 per cent of the gold standard. This value of the Icelandic krona remained unchanged until 1939.²⁷

This economic policy was intensely criticized by the opposition and even within the Conservative Party and among other supporters of the government. The revaluation of the krona was considered doubtful for two main reasons. Firstly, it was claimed that if fishing and the fish processing industry were to reach international competitiveness and productivity, they would, in order to secure further investments, have to make greater profits as the export prices went up. Secondly, it was emphasized that an overvalued krona would cause a switch away from domestic demand to demand for imported goods.²⁸

In the 1927-39 period when the Progressive Party was the leading coalition actor, the gold standard policy remained in practice the general economic goal of all governments. Besides, the governments led by the Progressive Party especially favoured agriculture and the infrastructure of the rural areas by various fiscal and credit measures, the result being that the fish-exporting sector ran into serious difficulties, which were also due to falling prices, small catches and heavy debts. It was not until 1939 when the Independence Party came to power—in a coalition with the Social Democrats and the Progressive Party—that gold standard policies were abandoned.

That government created a new concept of economic policy, which has been referred to as ‘‘The Icelandic Model’’.²⁹ This model is primarily based on the three following components:

- (1) Income stabilization for fish exporting firms, most frequently attained by depreciation of the exchange rate.
- (2) Profit-sharing in the fishing industry between boat owners and fishermen.
- (3) Income equalization schemes:
 - (a) Equalization of wage earners’ incomes by indexing wages to consumers prices; and
 - (b) Equalization of farmers’ incomes by indexing prices of their products to wage rates.

This model was formally introduced in 1939 by a major devaluation of the krona and since then it has been the basis of the economic policy of most governments in Iceland. It is only in recent years that serious attempts have been made to abandon this model.

Differences of opinion concerning ownership of the means of production

and organization of the society were central in the political debate in the interwar period, especially between social democrats and communists during the 1930s. Communists claimed that in capitalist society the relations of production, i.e., private ownership of the means of production and surplus appropriation, guaranteed only that the state would be dominated by the capitalists. The state would simply be a tool of capitalist exploitation as long as capitalist ownership is preserved. Social democrats, on the other hand, defended the view that it was possible to reform society and protect the interests of the working class without abolishing private ownership of the means of production, i.e., the power of the state might be used to reform and change society for the benefits of the working class.³⁰ For Icelandic socialists, socialism was thus the future or ultimate goal, but the difference concerned primarily whether violent or peaceful roads should be chosen.

The Progressive Party propagated for cooperative enterprises as the most suitable economic form in most industries of society. In contrast to the SDP, which cooperated closely with the PP in parliament and in government during the interwar period, the PP was against state-owned enterprises in general and tried to resist developments in that direction. The Independence Party advocated in these years strongly for private ownership of property, freedom of enterprise and other issues characterizing "laissez-faire" economic views. In contrast to the SDP and the CP, the PP and the IP aimed to preserve the basic features of Icelandic society, while the former ones worked for fundamental changes. To summarize, the main political actors during the interwar period can, as concerns forms of ownership of the means of production, be ranked on a left-right continuum as follows: CP (USP), SDP, PP, IP.

Another central issue during these years and closely related to the views on ownership of the means of production, concerned the total organization of society. The SDP emphasized the necessity of nationalizing big firms in all basic industries of the economy. For many social democrats this was the only way to eliminate poverty. The IP, on the other hand, said that nationalization and an accompanying central planning of the economy could not under any circumstances be accepted. Instead, the party propagated for free competition and freedom of the entrepreneur in particular which was claimed to be the best means of securing a prosperous economic development. The PP stood somewhere between these opposite views, emphasizing that decisions regarding economic policies should be taken on the basis of the situation in each branch of industry, not neglecting local factors, and not purely according dogmatic economic principles. The party insisted, however, that direct interference of the state in the economy should be limited and individuals should have a certain freedom to participate in economic life in one form or another.

The development of the system for collective bargaining and earnings determination in Iceland should be considered in view of the fact that the first labour unions used to advertise wage rates and claims regarding employment in various areas. And, as the terms were usually moderate in the early decades, the unions managed in most instances without much difficulty to reach informal agreements with employers, or the terms were simply accepted by the employers. The basis for union recognitions and proper collective bargaining was thus gradually laid in the first decades of this century. Intensified conflicts during the First World War and in the years that followed called, however, for some kind of regulation of the relationship between the parties in the labour market.

In 1915 a law passed which banned public employees the right to strike in support of their pay claims.³¹ The first legislation of state mediation in industrial conflicts dates from 1925 (law no. 55/1925). The role of the state mediator was prescribed in the law as to bring the parties involved together for talks, but he had no formal powers to impose settlements nor to refer cases to arbitration. Nevertheless, the state mediator managed to reach settlements in most labour conflicts in which he was involved during the 13 years in which the mediation law was implemented. As a consequence of the increased strength of the labour unions and the SDP both in the parliament and in government, the basic legislation on unions and labour disputes was passed in 1938 (law no. 80/1938). According to this law, labour unions gained recognition by employers and the state and, in addition, the union's right to bargain was formally recognized. Furthermore, it was also accepted, among other things, that wages should be paid according to union contracts, union members should have job priority, and that all workers should belong to the labour unions.³²

The proportion of employees covered by collectively bargained agreements has for decades been fairly extensive in Iceland. There are, however, some large social groups whose earnings are primarily determined by other means than purely collective bargaining, e.g., fishermen, farmers and public employees (up to 1978).³³

Fishermen's earnings are determined through an institutional mechanism which decides prices for the catch in the fishing sector, i.e., both in the fishing and the fish processing industries. The basic earnings of farmers are determined by a similar institutional apparatus as well, where producers and consumers are represented in a committee of six members.

Since the latter part of the nineteenth century and until recently the formal remuneration of civil servants was determined by the so-called "pay-laws", which had to be passed through parliament for each contract period. This system was maintained without much change up to 1962, when the Federation

of State and Municipal Employees (BSRB) acquired limited bargaining rights (law no. 55/1962). So, in fact, since the establishment of the BSRB in 1942 it had only been consulted in earnings determination. The new legislation, on the other hand, enabled the unions to bargain with the state but still with significant restrictions on their role in the process. The bargain right was extended again in 1973 (law no. 46/1973) and this time also to the Association of University Graduates (BHM), as well as the member unions of both the BSRB and the BHM obtaining a more active role in the bargaining. Thus these two confederations now bargain collectively for the main agreements, while the member unions bargain specifically for special agreements that cover aspects which do not concern the issues included in the main agreements. Provisions for arbitration referral and strike prohibitions, which were legislated in 1962, were retained unchanged in the case of the BSRB up to 1976 when it obtained a restricted right to strike, but only as regards claims in connection with main agreements. The BHM is, however, still without a right to strike and disputes over the main agreement and the special agreements are after a specified time period automatically referred to arbitration.

From this description we see that fishermen, farmers and public employees, who made up about half of the labour force in the late interwar period and about one-third in recent decades, have not been directly involved in ordinary collective bargaining. In other words, in Iceland there evolved a bargaining system in many ways similar to those systems which have prevailed in the other Nordic countries.³⁴ It seems, however, evident that the Icelandic labour unions have been more independent than their Scandinavian counterparts. This can be clearly demonstrated by the fact that all agreements have to be ratified at local level in Iceland, while the ratification of agreements takes place at confederate level rather than union level in most other Nordic countries. But from the 1960s the developmental trends in Iceland have no doubt been in the same direction as in these countries, i.e., towards the growing role of collective federations.

7.4.2 The postwar period

Compared with the interwar period, politics concerning internal matters have been characterized during most of the postwar period by a strong consensus in state policy. All political parties and interest organizations have participated in building a welfare society which they regard is in their interest to preserve. The basic legislation on health and social security was passed in 1946 (law no. 50/1946); the established system of collective bargaining and earnings determination was generally accepted; private, public and cooperative enterprises prevailed side by side; intensified discussions about fundamental

changes of society have been almost absent in Icelandic politics for several decades; and all powerful interests have taken for granted that the state plays the leading role in forming the general economic policy.

Different coalition governments have actually conducted very similar economic and welfare policies, as illustrated by the somewhat contradictory aims of full employment, stability in prices, rapid economic growth, balance in the state budget and balance in foreign trade being the cornerstones of the economic policy of all governments. Important social reforms in the fields of education, health and social services have also been introduced without marked opposition by any one of the main political parties. It seems therefore evident that differences between the parties have in reality been more of emphasis than of principles in most spheres of government.

Despite this general agreement on most issues the party programmes have reflected ideological differences between the political parties. Within each of the major parties there are also to be found groups that have taken rather different stances to matters which dominated the political scene in the interwar period. The political parties have thus tended to build up different ideological profiles: The Independence Party emphasizing the protection of individual liberties, free trade, decentralization of power, and opposition to state regulations; the Progressive Party advocating cooperativism in general and cooperative enterprise in particular as the most suitable economic form; the Social Democratic Party seeing improvements in education, health and social services as the main issues; and the People's Alliance laying claims to better the social, economic and political conditions of the working classes as well as proclaiming democratic socialism as its future goal.

The increased strategic value of Iceland after the Second World War confronted Icelanders with a new political issue. Iceland had to choose between an unarmed neutrality or some kind of cooperation with the western powers. In this position the three-party government of the SDP, the IP and the PP decided to abandon the traditional neutralistic course and joined the North Atlantic Treaty Organization (NATO) in 1949. In 1951 a defence agreement was accomplished between Iceland and the United States, and since then U.S. troops have been located in Iceland.³⁵

The NATO membership, the presence of the American forces and the international development in general have had as consequences that the political debates and conflicts have for decades centred more around the defence issue than internal matters. Thus in the postwar period the security and defence policy cleavage became a major factor in Icelandic politics and had presumably strong influences upon the process of class formation. The views towards NATO and the USA base have been such a decisive factor in the party system, in coalition formation and dissolution, and in various political activities on other levels, that is cannot be ignored.

Two authors have recently made attempts to rank the political parties on one-dimensional left-right scales; Elfar Loftsson in his Ph.D. thesis *Island i NATO* (1981) and Ólafur R. Grímsson in a research report on *The Icelandic Multilevel Coalition System* (1977). Loftsson carried out an analysis of the priority structures of the parties measured by their ordering of issue-areas. He did so by going through the whole debate in the Althingi during the 1949 session (11/10 1948—18/5 1949) and dividing it into nine issue areas.³⁶ The analysis gave the following result on a left-right continuum:

USP — SDP — IP — PP

This means that the lowest degree of similarity in preference orders was observed between the United Socialist Party and the Progressive Party, while the priority structure analysis showed the Independence Party and the Social Democratic Party sharing similar issue preferences. However, as Loftsson points out, differences or similarities in priorities do not indicate anything about the likelihood of cooperation or conflict between the parties. Experience has also shown that some parties cooperate best with those parties which share similar views, whereas others with greater differences in priority structures find it easier to work together. In the former case we can take as an example the SDP and the IP, and in the latter either the USP (PA) and the PP or the IP and the PP. The key to successful cooperation between parties in Iceland seems therefore to depend on the composition of their supporters rather than differences or similarities in priorities because political parties appealing to the same groups of the electorate tend to become rivals.

Grímsson on the other hand analyzed the priority structures of the political parties in policy declarations and related it to the parliamentary behaviour of each party in the 1949/51-1974 period. The analysis gave the following ranking of the parties on a left-right social/economic scale:

PA	ULL	SDP	PP	IP
Left		Right		
USP _{38—56}		NPP _{53—56}		

Source: Ólafur R. Grímsson, *The Icelandic Multilevel Coalition System*, p. 13.

This assessment shows that the People’s Alliance and the Independent Party have, in the postwar period, occupied respectively polar positions on the social/economic policy scale. In between we find the Social Democratic Party and the Progressive Party, and temporarily the Union of Liberals and Leftists and the National Preservation Party.

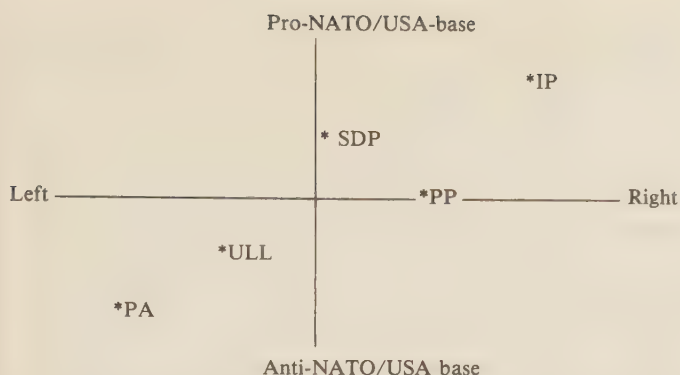
The NATO/USA base policy positions of the political parties in the postwar period were ranked as follows by Grímsson:

	USP/PA	NPP/ULL	PP	SDP	IP
	anti-NATO	(anti)-NATO	pro-NATO	pro-NATO	pro-NATO
		anti-base	(anti-base)	(pro)-base	pro-base
	PA	ULL	PP	SDP	IP
	56—	69—78			
anti-NATO					pro-NATO
anti-base					pro-base
	USP	NPP			
	—56	53—56			

Source: Ólafur R. Grímsson, *The Icelandic Multilevel Coalition System*, p. 15.

According to this assessment, the United Socialist Party/People’s Alliance and the Independent Party have consistently occupied respective polar positions on the NATO/USA base scale. The USP and later PA have, both inside and outside parliament, led the campaign for the removal of the base and against the membership of NATO as well, while the IP has strongly advocated for the importance of NATO and the necessity of the USA base. The National Preservation Party was indeed founded to mobilize people against the base, but its opposition to the American force and the NATO was less powerful than the activity of the PA in these matters. The Progressive Party has always been pro-NATO, but its position towards the base has always been fluctuating. First the PP was pro-base, then from the mid-1950s to the mid-1970s it was anti-base, and from then on pro-base again. The Social Democratic Party has, however, only once, in 1956, for a short time adhered to an anti-base policy.

Taken together, the social/economic scale and the defence policy scale worked out by Grímsson can be expressed in a two-dimensional figure as follows:



Source: Ólafur R. Grímsson, *The Icelandic Multilevel Coalition System*, p. 42.

Other issues which strengthened the security and defence policy division in Icelandic politics in the postwar period were the extension of the fishing limit, foreign investment, the EFTA agreement and the special treaties with the EEC. The parties that opposed NATO membership and the USA base laid greater emphasis on the extension of the fishing limit and were critical of foreign investment, EFTA membership and ties with the EEC, whereas supporters of NATO and the USA base were in favour of foreign investment, EFTA membership and agreements with the EEC. As regards the fishing limit issue, they took a more moderate stance than the anti-NATO and anti-base parties, at least up to the mid-1970s when the two-party government of the Independence Party and the Progressive Party extended the fishing limit to 200 miles.

7.4.3 Current trends

Since the beginning of the 1980s, economic and internal issues seem to have become most crucial in the process of class formation in Iceland. The focus of politics is now increasingly on economic and welfare policies rather than matters related to the defence policy division. Disputes about economic priorities, public spending, taxing and its redistribution effects, housing policy and various welfare measures are, in a sense, changing the content of the political debate. At the same time, structural changes of the economy, the bargaining system, the administrative system as well as the electoral system are under way or felt needed. Issues concerning economic and organizational factors are thus thought to be more important than attitudes towards NATO and the USA base, participation in EFTA and cooperation with the EEC. The fishing limit dispute vanished totally from the scene by the extension of the

limit to 200 miles in the mid-1970s. Foreign investment is the only issue of those which have dominated in Icelandic politics for the past 2-3 decades that is still at the very centre of political debate.

The Icelandic economy ran into serious difficulties in the 1970s. Due to negative terms of trade caused by oil price increases the economy became unbalanced and the hidden conflicting inflationary spirals of the "Icelandic Model" came to the surface. This development was further strengthened by the indexation system for wages and an excessive domestic demand. All attempts by governments to stabilize the situation and solve the economic problems gave only very limited results. The traditional methods simply did not pay off. But instead of searching for a new kind of economic order or a new type of class cooperation like in 1939, the basic economic policy reactions were interference with the wage settlements between employers and labour, cuts in the state budget, increased tax burden of ordinary wage earners and even for some time banning all wage negotiations by law.

Two sets of conditions, both related to the growing internationalization of the Icelandic economy, seem to be decisive for the current economic development. (The oil price explosion in the 1970s seems to have been only a temporary factor which accelerated certain structural changes in the world economy.) Firstly, the total amount of exports was 25 per cent of the GDP in the 1950s and had exceeded 40 per cent of the GDP in the late 1970s. The proportion of commodity exports increased from 19 to 27 per cent of GDP whereas the proportion of services rose from 6 to 13 per cent. But what is interesting is that the composition of the export trade shows that the proportion of raw material (fish) in total commodity exports was 10 per cent in the fifties but 42 per cent in the seventies.³⁷ Iceland has apparently been assigned the role to supply raw fish for processing and marketing in the main centres of the industrialized world. The agreements with the EFTA, the EEC and the United States paved the way for this kind of specialization. Iceland was simply offered relatively advantageous terms for its raw material exports, while the more advanced countries were granted more favourable terms for their exported industrial products.

Secondly, transnational firms have been offered extremely cheap electricity, cheap labour and free-zone facilities in Iceland. Thus since the sixties Iceland has specialized in producing electricity offered for running furnaces at a price below the production cost, thus serving as input in the creation of exports to the advanced industries in the core capitalist countries.

This kind of internationalization of the Icelandic economy has made the "Icelandic Model" incapable of stabilizing the export sector and the economy as a whole. Economic policy reactions by the state in recent years have not taken these changes into account and have therefore destabilized the situation

even more. It seems, consequently, evident that for the time being the Icelandic economy is developing towards a lowering of the level of industrialization, especially in the export sector. Iceland is thus showing an increasing resemblance to peripheral countries rather than to countries which we have called semiperipheral countries.

One of the most characteristic features of the postwar period has been the dynamic expansion of the public sector. As described in Chapter 4, the share of the treasury expenditures increased from 12.2 per cent of the GNP in 1950 to 28.5 per cent in 1980. In that year the total expenditures of the state and the local governments are estimated to about 35 per cent of the GDP. From the 1950s up to the late 1970s this development did not create serious fiscal problems because the economic growth was relatively stable in this period. Recently, however, Iceland has entered a phase of stagnating or very limited growth. Governments have therefore increasingly needed to raise loans in the international capital market to cover the costs of various investments and even public services. The foreign debt has now—in the mid-1980s—reached just above 60 per cent of the annual GDP. Simultaneously, successive governments are being forced to pursue a restrictive economic policy, which is frequently causing conflicts in the labour market as well as in politics.

The role of government has changed from the old “night-watchman state” since the middle of the interwar period into taking on a social responsibility in a growing number of fields of increasing complexity. On one hand, demands are being raised by labour unions and other interest organizations about various social reforms, changed housing policy, increased pensions, employment security, education, and a more equitable distribution of national resources, whereas on the other the capitalists and other employers continue to emphasize that wages must be kept down at a level which secures the profitability of business enterprises and enables them to earn enough money to keep on investing. As a consequence, the late postwar period has seen increasingly weak governments trying to cope with increasingly complex problems. Under a period of rapidly stagnating growth in the 1980s this development seemed to be reaching critical dimensions because state policies in most spheres of society were increasingly characterized by fluctuating patterns of intervention, withdrawal and compromise.

During the first half of the 1980s this situation seemed to have endangered mass loyalty to the existing system of administrative and political power. The emergence of the Women’s List and the Social Democratic Union may be interpreted as signs of a retreat to the traditional political system. Many social groups and individuals simply find it difficult to see the distinctive features of the old parties as well as to identify themselves with any one of them. The main political actors have thus not adapted their organization and activity to

rapidly changing circumstances. The existing party system, which was basically formed under totally different conditions 50-60 years ago, might therefore undergo important or even fundamental changes during the remainder of this century, together with the transformation of the economy and organizational changes of both the administrative system and the electoral system, changes which are either planned or already in progress.

8.0 Summary and Conclusions

The aim of this work has been to investigate patterns of the societal development in Iceland, especially during the period 1930-1980. Of primary concern were societal changes accompanied by capitalist development. The basic thesis has been that Iceland should be regarded as one kind of a semiperipheral country in a world economy comprised of core, peripheral and semiperipheral sectors, a world economy that emerged as a European world-economy in the sixteenth century and came to include the whole world in the nineteenth century. It is, however, emphasized that the connection between the position of a country in the world economy and the political-economic tendencies is never given and may change from one period to another. The Icelandic society is a part of interrelated social systems on a world scale, where societies are different from one another and do not necessarily follow parallel routes of development.

In Chapter 2 we explored three major theoretical frameworks for analyzing societal development in order to work out a scheme for studying the societal development in Iceland. We found that none of these frames is without some limitations. The modernism theory is predominantly characterized by ahistorical model-building, especially as concerns the concepts related to the paradigm of modernization. The theory of monopoly capitalism suffers from fallacious assumptions such as those that the tendencies of capitalism are the same in all capitalist countries, not taking into account the complexities, diversities and dynamics inherent to each country. And the world-system perspective is found in some respects to be too abstract for explaining concrete historical developments.

We came to the conclusion that by incorporating some important elements from the theory of monopoly capitalism into the world system perspective, it should be able to provide a realistic scheme for the study of societal development. A scheme which emphasizes that experience and models applied for the study of a given country is not strictly applicable to other countries due to varieties in social organization, social relations, economy and technology.

In Chapter 3 we provided an overview of the most important sociological and political studies of the societal development in Iceland. The aim was to bring to the fore some essential characteristics of these studies so as to evaluate their explanations of the changes which transformed the Icelandic society in this century. The main conclusion was that almost all of these studies are

based on the main premises of the modernism theory, where the basic idea is that all societies must pass through certain definite stages in a passage from a simple to a more modern order, which is frequently designated as the process of modernity.

In Chapter 4 the focus was specifically on the developmental trends and basic characteristics of the Icelandic economy. First, an attempt was made to situate Iceland in the world economy defined as a tri-modal system including core, semiperipheral and peripheral states. Secondly, we investigated the patterns of those features which have been identified as characteristic for the general advance of capitalist development.

A rough comparison indicated that profit rates are generally lower in Iceland than in the core capitalist countries. In terms of technical advancements, Iceland has not reached a level comparable with the other Nordic countries and typical core capitalist countries. Iceland does not rank as high with respect to wage level as in GDP in the OECD region. Like in many peripheral countries, one kind of product makes up the largest share of the total export. Thus on the basis of profit rate, technological stage, wage level, and diversity in production we claim that for the time being Iceland should be regarded as one kind of a semiperipheral country.

Our analysis also confirms that the concentration and centralization of capital has not matured to the same extent as in the core capitalist countries. The economy is still markedly characterized by the large number of small firms and petty commodity producers. The financial system has developed from a relatively centralized system to a predominantly competitive one. Scientific and technical knowledge is gradually being incorporated into the production process. The practice of scientific management has coincided with the advance of the scientific-technical revolution. The composition of the class structure has changed considerably during this century. The growth of the state has not been as extensive as in most OECD countries.

In Chapter 5 the concept of class was the main subject of discussion. The emphasis is specifically on basic premises and critical weaknesses of four non-Marxist class models and five Marxist class schemes. The aim was to find out which of these models fits best with our perspective on societal development, especially as regards capitalist development in Iceland. In that way we hoped to be able to link rigorously the development of the class structure in Iceland to specific trends of the societal development.

We came to the conclusion that we agree with the view that social relations of production and surplus appropriation together are the determining forces behind the functioning and development of any economic system. Social classes in capitalist societies should therefore be defined in terms of social relations of production rather than by the social relations of exchange,

authority, status or any other criteria. Given that conclusion, it became evident that none of the models discussed in the chapter fitted in all respects with our perspective on capitalist development in Iceland. Their basic premises and properties are generally too developmentalist and mechanical compared to the perspective which serves as a point of departure in this study. We excluded all the non-Marxist models and as concerns the other models we had in this situation to choose what, we thought, was the most rigorous conceptualization of the class structure available, i.e., both in accordance with the theoretical premises of this study and the statistical material accessible for conducting concrete class analysis.

In Chapter 6 the positions of employers, petty bourgeois, middle strata and workers were defined as the basic locations within the class structure. The analyses also contained a breakdown of categories of employment which were more characteristic for the traditional societies, i.e., domestics such as servants in homes and family workers. Furthermore, we made an attempt to roughly estimate the size of each class in 1980 according to Erik Olin Wright's class scheme.

The analysis displayed that the class structure has undergone considerable changes during the research period, especially as regards its composition. There is, however, no doubt that in many respects the class structure reflects certain basic characteristics of a semiperipheral country. The capitalist class proper has been very small and concentrated in certain industries and branches of industry. The share of the petty bourgeoisie has been relatively stable, declining only from about 9 per cent in 1930 to about 7 per cent in 1980, after its share had risen to 11 per cent during the 1950s. The proportion of the middle strata in total employment increased successively from about 11 per cent in 1930 to nearly 36 per cent in 1980. What is, however, characteristic for Iceland compared with the core capitalist countries is that within the middle strata the share of scientific and technical professionals is much lower. According to the research model, the working class made up well above 50 per cent of the work force up to 1980. Wright's model indicates also that this was the case during that year. But the main difference between the research model and Wright's model concerns the composition of the working class, on the one hand, and the composition of the middle strata respective the contradictory class locations, on the other.

In Chapter 7 we finally studied factors involved in the processes of class formation in Iceland during the period of research. The focus was on the growth of interest organizations in the labour market, the emergence and development of political parties, and the different political-economic tendencies from one time to another. Concerning the last aspect the point was to show that the connection between a position of a given country in the world economy

and the pattern of conflict and conflict resolution is constantly changing.

The major organized forces on the labour market were found to be, on one hand, the labour unions and, on the other, the employers' organizations. The main labour federations during the research period were the Federation of Labour (ASÍ), the Association of State and Municipal Employees (BSRB), and the Association of University Graduates (BHM), whereas on the other side of the bargaining table there were besides the state and the local governments the Confederation of Icelandic Employers (VSÍ) and the Association of Co-operative Employers (VMS).

The major political parties throughout the research period have been the Independence Party (IP), the Social Democratic Party (SDP), the Progressive Party (PP), and the People's Alliance (PA) and its forerunners the United Socialist Party (USP) and the Communist Party (CP). Along a left-right continuum the People's Alliance and its forerunners have represented the left wing in Icelandic politics and the Independence Party the right wing. The other parties have generally taken centre positions in the party system.

From the time when the prevailing party system emerged 50-60 years ago, three periods characterized by different political-economic convergences can be broadly distinguished. The first was the interwar period when internal issues dominated Icelandic politics, thereafter in the postwar period the security and defence cleavage played a fundamental role in all political life, but in recent years economic and welfare policies seem to be becoming the most decisive factors in the processes of class formation.

TYPE OF CLASS LOCATION	CAPITALIST MODE OF PRODUCTION RELATIONS OF APPROPRIATION				DOMINATION Authority relations	SIMPLE COMMODITY PRODUCTION	
	CLASS LOCATION	Ownership relation	Exchange relation	Real exercise of effective property		Ownership relations	Domination relations
Basic Class	BOURGEOISIE	Owns means of production	Buys labour power	Directly makes core decisions over allocation of resources and use of means of production	Directly controls the authority hierarchy		
Contradictory location within the capitalist mode of production	MANAGERS	Does not own means of production	Sells labour power	Directly involved in at least some core decisions	Dominant and subordinate		
	SUPERVISORS	— " —	— " —	Excluded from all decisions over the workplace	Dominant and subordinate		
Basic Class	WORKERS	— " —	— " —	— " —	Subordinate	Nonowner of means of production	Substantial direction within the labour process (unity of conception and execution)
Contradictory location between capitalist production and simple commodity production	SEMI-AUTONOMOUS EMPLOYEES	— " —	— " —	— " —	— " —		
Basic Class	PETTY BOURGEOISIE					Owens means of production and directly uses them without employing labour power	Complete self-direction within the labour process
Contradictory location between capitalist and simple commodity production	SMALL EMPLOYERS	Owens means of production	Buys limited amounts of labour power	Makes core decisions	Controls authority structure	Owens means of production and directly uses them within the labour process and employs some wage labour	

Appendix II. The share of the valid votes and the number of MPs in the Althingi from 1927 to 1983. Includes all political parties which have entered the parliament.

Year		PP	SDP	IP	CP/USP/PA	Others
1927	a.	29.8	19.1	48.3	—	2.8
	b.	17	4	14	—	1
1931	a.	35.9	16.1	43.8	3.0	1.2
	b.	21	3	12	—	—
1933	a.	23.9	19.2	48.0	7.5	1.4
	b.	14	4	17	—	1
1934	a.	21.9	21.7	42.3	6.0	8.1
	b.	15	10	20	—	4
1937	a.	24.9	19.0	41.3	8.5	6.3
	b.	19	8	17	3	2
1942	a.	27.6	15.4	39.5	16.2	1.3
	b.	20	6	17	6	—
1942	a.	26.6	14.2	38.5	18.5	2.2
	b.	15	7	20	10	—
1946	a.	23.1	17.8	39.4	19.5	0.2
	b.	13.	9	20	10	—
1949	a.	24.5	16.5	39.5	19.5	—
	b.	17	7	19	9	—
1953	a.	21.9	15.6	37.1	16.1	9.3
	b.	16	6	21	7	2
1956	a.	15.6	18.3	42.4	19.2	4.2
	b.	17	8	19	8	—
1959	a.	27.2	12.5	42.5	15.3	2.5
	b.	19	6	20	7	—
1959	a.	25.7	15.2	39.7	16.0	3.4
	b.	17	9	24	10	—
1963	a.	28.2	14.2	41.4	16.0	0.2
	b.	19	8	24	9	—
1967	a.	28.1	15.7	37.5	17.6	1.1
	b.	18	9	23	10	—
1971	a.	25.3	10.5	36.2	17.1	10.9
	b.	17	6	22	10	5
1974	a.	24.9	9.1	42.7	18.3	5.0
	b.	17	5	25	11	2
1978	a.	16.9	22.0	32.7	22.9	5.5
	b.	12	14	20	14	—
1979	a.	24.9	17.5	35.4	19.7	2.5
	b.	17	10	22	11	—
1983	a.	18.5	11.7	38.7	17.3	13.8
	b.	14	6	23	10	7

References and Notes

Chapter 2. Societal Development

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3. Fréttabréf Kjararannsóknarnefndar Nr. 53, 1981/Newsletter from the Wage Investigation Committee, No. 53, Reykjavík, 1981, p. 5.
4. Report A XIV. Reykjavík 1980: Hjartavernd, p. 35.
5. Industry Reports 1979, No. 26. Reykjavík 1983: The National Economic Institute.
6. Wright says elsewhere that, strictly speaking, simple commodity production is not a *mode* of production but a *form* of production since the concept of mode of production is usually restricted to those forms of social organization of production which are capable of becoming the organizing principle of an entire society, i.e., becoming the dominant mode of production in a social formation. Simple commodity production has never been a dominant structure of production, and Wright says that there are good theoretical reasons to suspect that it could not become a dominant mode of production.
7. Wright, E.O. (1976): "Class Boundaries in Advanced Capitalist Societies", *New Left Review*, 42.
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8. See e.g. Wright, E.O. et al. (1982): "The American Class Structure", in *American Sociological Review*, vol. 47:6.
9. In Wright's *Classes* (London 1985: Verso) autonomy as a class criterion is found to revolve around a number of empirical anomalies. Wright therefore abandons autonomy as a class criterion for these employees and suggests that it should be replaced by skill assets.
10. Population Census on December 1 1960. The Statistical Bureau of Iceland, Reykjavík 1969, p. 45.
11. Industry Reports 1979, No. 26, *op. cit.*
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 15. Ahrne (1982), *op. cit.*, p. 31.
 16. It should be noticed that data on detailed income distribution within the main classes has not been available to us. The conclusions drawn in this part of the chapter are based primarily on labour market studies which show only average incomes of several occupational groups.

Chapter 7. The Process of Class Formation

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